Financial Conduct Authority

Consultation Paper CP13/2**

Mortgage Market Review – Data Reporting

May 2013

Contents

The Financial Conduct Authority invites comments on this Consultation Paper. Comments should reach us by 15 August 2013.

Comments may be sent by electronic submission using the form on the FCA's website at: www.fca.org.uk/your-fca/documents/consultation-papers/cp13-02-response-form.

Alternatively, please send comments in writing to:

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A confidential response may be requested from us under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by the Information Commissioner and the Information Tribunal.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FCA order line: 0845 608 2372

May 2013

Abbreviations used in this paper

CBA	Cost benefit analysis
BCD	Banking Consolidation Directive
CML	Council of Mortgage Lenders
EEA	European Economic Area
FCA	Financial Conduct Authority
FSA	Financial Services Authority
FSMA	Financial Services and Markets Act 2000
MIPRU	The Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries
MLAR	Mortgage Lending and Administration Return
MMR	Mortgage Market Review
PRA	Prudential Regulation Authority
PSD	Product Sales Data

1. Overview

Introduction

1.1 We want to collect additional data about mortgages to monitor and supervise conduct in the mortgage market, given the changes in mortgage regulation that are coming into effect on 26 April 2014 as a result of our Mortgage Market Review (MMR). The MMR introduces a package of reforms to the mortgage market, with a focus on responsible lending. It also introduces new prudential requirements for non-deposit taking mortgage lenders. So in this paper we are proposing new rules on data collection.

1.2 We already collect some data from firms about mortgages. In previous MMR publications[1], we noted that changes to our regulatory approach would inevitably result in a need to review the data we collect from firms. We have engaged with trade bodies and firms when developing our proposals.

Who does this consultation affect?

1.3 You should read this Consultation Paper if you are:

- a mortgage lender or other home finance provider; or
- a home finance administrator who collates or submits regulatory returns.

1.4 It may also be of interest if you are:

- a firm that advises on or arranges mortgage or other home finance products; or
- a body that represents any of these firms.

Is this of interest to consumers?

1.5 These proposals may be of interest to consumers. While the proposals themselves do not directly affect consumers, they will result in us collecting and processing more personal data than we do currently.

1 DP09/03, *Mortgage Market Review* (October 2009): www.fsa.gov.uk/pubs/discussion/dp09_03.pdf; CP10/28, *Mortgage Market Review: Distribution and disclosure* (November 2010): www.fsa.gov.uk/pubs/cp/cp10_28.pdf; and CP11/31, *Mortgage Market Review: Proposed package of reforms*, (December 2011): www.fsa.gov.uk/static/pubs/cp/cp11_31.pdf

Context

1.6 We gather and use a wide range of data, information and intelligence from across our organisation, firms and elsewhere to help us identify and assess risks in financial markets. The FCA places a greater reliance on data than our predecessor, the FSA, did. This is to gain insight into the market so that we can make quicker, bolder decisions. In the mortgage market, we will be particularly interested in indicators of irresponsible lending, leading to consumer harm and a market that does not function well.

1.7 So these proposals reflect our objectives to:

- secure an appropriate degree of protection for consumers (by helping us identify and assess risks to them and prevent harm);
- protect and enhance market integrity (by allowing us to potentially make quicker and bolder decisions so the market keeps functioning well); and
- promote effective competition in the interests of consumers (through enhancing our ability to monitor the market).

Summary of our proposals

1.8 We are proposing changes to two existing returns that lenders submit once a quarter:

- **Product Sales Data (PSD).** This contains transaction level data on all sales of regulated mortgage contracts. We propose to:
  - collect enhanced affordability data;
  - make some existing optional data fields in PSD mandatory, to allow meaningful comparative analysis;
  - collect some additional data and amend some existing PSD data fields to reflect other MMR changes and to ensure the data we collect remains relevant and up to date; and
  - collect data on the performance of **all** existing regulated mortgage contracts (i.e. the basic characteristics of the mortgage and whether borrowers have experienced payment difficulties).
- **Mortgage Lending and Administration Return (MLAR).** We propose to collect additional data items from non-deposit taking mortgage lenders, to monitor the prudential position of these firms and their compliance with our new MMR rules.

Equality and diversity considerations

1.9 We have undertaken an equality impact assessment to assess the impacts of the proposals. We do not think they give rise to any concerns. But we would welcome your comments on this.

EEA firms

1.10 We propose that the data reporting requirements apply to FCA authorised firms. We also propose that the requirements apply to incoming EEA firms when exercising BCD[2] passport rights to carry on regulated mortgage lending in the UK.

Implementation

1.11 We want to collect this data as soon as we can after implementation of the MMR in April 2014, to ensure that we can monitor and supervise conduct in the mortgage market as effectively as possible. However, we appreciate that firms are making significant systems changes to implement the MMR, as well as for other initiatives (e.g. government schemes).

1.12 So we intend to give firms 12 months to implement the changes, from the date that the final rules are made, probably in the fourth quarter of 2013.

1.13 Firms would then need to start collecting the new PSD items from the first quarter of 2015, and we will start receiving this data from firms in the second quarter of 2015.

Next steps

What do you need to do next?

1.14 We want to know what you think of our proposals. Please send us your comments by **15 August 2013**.

How?

1.15 Use the online response form on our website or write to us at the address on page 2.

What will we do?

1.16 We will continue to engage with firms and other interested parties during the consultation period.

1.17 We will consider your feedback, and we intend to publish our rules in a Policy Statement later this year.

2 Banking Consolidation Directive

2. Product Sales Data

Background

2.1 Since 1 April 2005, product providers have reported transaction-level data to us on all sales of regulated mortgage contracts, through a report called Product Sales Data (PSD). The data we currently collect includes various mortgage and borrower characteristics and measures, most of which are compulsory for lenders to report.[3]

2.2 We have signalled in several previous Mortgage Market Review (MMR) publications[4] that we intended to review the current data collected through PSD to reflect the changes arising from the MMR.

2.3 The key changes we are proposing are to:

- collect enhanced affordability data (e.g. income and expenditure);
- make some existing optional data fields in PSD mandatory, to allow meaningful comparative analysis;
- collect some additional data and amend some existing PSD data fields to reflect other MMR changes and to ensure the data we collect remains relevant and up to date; and
- collect data on the performance of **all** existing regulated mortgage contracts (i.e. the basic characteristics of the mortgage and whether borrowers have experienced payment difficulties).

2.4 We explain the changes below.

Why are we doing this?

2.5 The primary reason for enhancing the mortgage data we collect is to ensure that we can supervise the new rules made as a result of the MMR, which are due to come into force on 26 April 2014, as efficiently and effectively as possible – particularly the responsible lending rules.

3 Summary statistics from these returns are available on our website as PSD trends reports, see www.fca.org.uk/static/fca/documents/fsa-psd-mortgages-2012.pdf

4 DP09/03, *Mortgage Market Review* (October 2009): www.fsa.gov.uk/pubs/discussion/dp09_03.pdf; CP10/28, *Mortgage Market Review: Distribution and disclosure* (November 2010): www.fsa.gov.uk/pubs/cp/cp10_28.pdf; and CP11/31, *Mortgage Market Review: Proposed package of reforms,* (December 2011): www.fsa.gov.uk/static/pubs/cp/cp11_31.pdf

2.6 In addition, we want to be a more forward looking and pre-emptive regulator, seeking to identify and head off risks before they crystallise and cause consumer detriment or damage to market integrity. We also want to maintain competitive markets and promote effective competition in the interests of consumers. The enhanced data will help us to identify if there are risks to these objectives.

2.7 The proposed data will also help us monitor the impact of the MMR, including whether the objectives of the MMR are met, i.e. has it resulted in a market that is sustainable for all participants and a flexible market that works better for consumers?

2.8 Without the additional data we propose to collect we would need to rely on alternative methods of supplementing existing regulatory returns to supervise the MMR and monitor the mortgage market. We could do this, for example, through ad-hoc data requests and increased supervisory work. This is likely to be less effective and efficient, and more resource intensive for both us and firms.

How will we use this data?

2.9 We are relying more on data than we have done previously, to help us make quicker, bolder decisions. Several areas of the FCA will use this enhanced data. **It will help with our new approach to supervision** in the following ways**:**

- In pro-active firm supervision ('Pillar 1'), it will enable us to identify drivers of conduct risk in mortgage firms and focus our resource in areas where poor consumer outcomes could arise. For example, if a firm appears to be advancing unaffordable mortgages or is doing a high proportion of business in relation to potentially higher risk product types;

- In event supervision ('Pillar 2'), where we address significant crystallising or crystallised conduct risks at a firm level, we will use the data when identifying and addressing these risks. For example, to help to identify potential mortgage fraud; and

- In issues-based (i.e. thematic) supervision ('Pillar 3'), it will enable us to identify conduct risks across the mortgage sector, and to gather information about specific firms in relation to those risks, enabling us to target our work effectively.

2.10 **The data will also be used by our Policy, Risk and Research division**, in its role as the FCA radar, to identify and analyse trends in the market (including using geo-demographic profiling to better understand consumer trends), and provide a more intelligent view of the issues we, consumers and industry face. This work will also help us prioritise and quantify these issues. The data will also be used to monitor the impact of the MMR and to undertake a post-implementation review (i.e. to assess whether the MMR has met its objectives).

2.11 In addition, we will share the data with the Bank of England and the Prudential Regulation Authority (PRA).

2.12 Privacy issues are considered on page 17.

What are the costs to firms?

2.13 We recognise that there will be costs to firms in collecting and reporting the enhanced data to us. We discuss this in the cost benefit analysis chapter of this consultation paper.

The proposed changes

Affordability data

2.14 We want to collect enhanced affordability data so we can monitor and supervise compliance with the MMR responsible lending rules, which aim to ensure that all mortgages are affordable.

2.15 Currently, we collect limited data on affordability through PSD. We collect total gross income (of all borrowers whose income was used in the credit assessment), and whether the application was made on a single or joint basis.

2.16 This does not give us enough information to do any meaningful analysis of affordability, beyond a basic debt-to-income ratio (as was demonstrated by the analysis that we undertook for the cost benefit analysis of the MMR proposals[5]). This is because factors such as household size, outstanding debts and expenditure play an important part in affordability. For example, while we currently know what the gross income is, we don't know what the net income is, or how many people and other financial commitments that income must support in addition to the mortgage. This makes it difficult for us to assess whether firms are making sensible underwriting decisions.

2.17 The MMR rules do not prescribe what is affordable, but we do require lenders to take several factors into account, including:

- income (which must be verified), net of tax and national insurance;
- committed expenditure (e.g. credit commitments and other contractual commitments that will remain outstanding after the mortgage is entered into) of the borrower(s); and
- basic essential expenditure and basic quality of living costs of the household.

2.18 Lenders must also consider the effect of future interest rate rises and changes to income and expenditure (such as retirement). There are also specific requirements where impaired credit consumers are consolidating debt into their mortgage.

2.19 The affordability data we are proposing to collect mirrors these requirements closely. This data will allow us to monitor how these requirements are being applied for each transaction. We will also be able to match this data with the later performance of the mortgage, through the performance data that we discuss later in this chapter. This will indicate whether firms' affordability assessments are effective, and enable us to assess the outcomes for consumers.

5 See Annex 1 of CP11/31, Mortgage Market Review: Proposed package of reforms, (December 2011): www.fsa.gov.uk/static/pubs/cp/cp11_31.pdf

2.20 The proposed additional affordability data is as follows:

- number of borrowers;
- number of adults in household, and number of dependents (adults and dependent children) to determine the make-up of the household;
- second borrower employment status;
- income details (for first, second, and third and subsequent borrowers), broken down (if applicable) into:
  - gross basic pay, other income from main job (e.g. bonus and overtime), income from self-employment and other income (e.g. pension, second job); and
  - total net income used in the affordability assessment for each borrower;
- expenditure details, broken down into:
  - total outstanding credit commitments for all borrowers, and total monthly payments on those commitments;
  - other committed expenditure (e.g. child support and maintenance);
  - basic essential expenditure, and basic quality of living costs for the household; and
  - whether basic essential expenditure and basic quality of living costs are actual or estimated;
- the interest rate used to stress test affordability;
- the amount of debt consolidated;
- the planned retirement age of first and second borrowers; and
- whether the transitional arrangements have been used.[6]

2.21 For most of the data that we propose to collect, we limit the information to two borrowers. However, for income we also propose to collect data for additional borrowers (collected through one aggregate field for 'third and subsequent borrowers'), where this has been used in the affordability assessment.

2.22 For expenditure, the proposed data reflects the MMR rules, so committed expenditure is reported for the borrowers (in aggregate), and the basic essential and basic quality of living costs for the household (also in aggregate).

2.23 We want to collect information on the use of the MMR transitional arrangements so we can understand how these are being used in practice to help existing borrowers.

2.24 The full details of the proposed affordability data can be found in Appendix 1.

6 To help existing borrowers, as per MCOB 11.7. See Appendix 1 of PS12/16, *Mortgage Market Review: Feedback on CP11/31 and final rules*, (October 2012): www.fsa.gov.uk/static/pubs/policy/ps12-16.pdf

Q1: Do you agree with the proposed affordability items? If not, which items don’t you agree with and why?

Q2: Will any of the proposed affordability items cause practical issues (e.g. the proposed format of the data)? If so, please provide details.

Optional data items

2.25 We propose to make reporting of what are currently optional data items in mortgage PSD, compulsory. While many lenders report this data to us already, some don’t – and this makes meaningful comparative analysis difficult.

2.26 The optional data items that we propose to make compulsory are:

- remortgage purpose;
- value of county court judgements (first borrower);
- impaired credit history (first borrower);
- initial gross interest rate;
- date incentive rate ends;
- date early repayment charge ends;
- purchase price; and
- is this a new dwelling?

2.27 We don’t propose to make the following fields compulsory, as we don’t consider that we will use them in our monitoring or supervision:

- number of habitable rooms;
- type of dwelling;
- number of bedrooms; and
- garage included?

Q3: Do you agree that these data items should be made compulsory? If not, which items don’t you agree with and why?

Q4: Will the compulsory reporting of these items cause practical issues (e.g. the proposed format of the data)? If so, please provide details.

Additional data fields

2.28 To reflect other MMR changes and to ensure the data we collect remains relevant and up to date, we propose to add several additional data fields to the sales data. These are:

- how the sale was made (face-to-face, phone, internet, post);
- channel of sale (direct or intermediary);
- proportion of a mixed mortgage that is on an interest-only basis;
- is this an interest roll-up mortgage?;
- term of mortgage (in months) for a bridging loan;
- type of valuation at origination;
- value of county court judgements (second borrower);
- impaired credit history (second borrower);
- type of currency[7];
- amount of equity withdrawal;
- amount of equity injection;
- does indemnity insurance apply?;
- customer's share of property, where there is a shared equity loan, and for shared ownership;
- value of total loan available for drawdown (for lifetime mortgages only);
- fees information: i.e. total upfront fees paid by borrower; lender fees; mortgage intermediary or third-party fees; amount of fees and charges added to the loan; and procuration fee; and
- transaction reference number. This is already reported by firms in PSD[8], but is not explicitly referenced in the rules.

2.29 As we previously discussed in CP11/31[9], we propose to expand the types of credit impairment covered by impaired credit history (for both first and second borrowers) to include Debt Relief Orders (DROs).

2.30 We also propose to amend some existing data fields for the same reason, as follows:

- whether advice was given at point of sale, to reflect the introduction of execution-only sales;
- interest rate type, to enable us to collect a more detailed information on tracker mortgages;

7 Even where a mortgage has been advanced in a foreign currency, all relevant data fields should be reported in sterling

8 It is one of the 'header and core items' collected through the PSD XML schema

9 See CP11/31, *Mortgage Market Review: Proposed package of reforms*, (December 2011): www.fsa.gov.uk/static/pubs/cp/cp11_31.pdf, paragraph 7.47

- mortgage characteristics, so that we can identify a wider variety of mortgage types, such as shared ownership, business loans and bridging loans, so that we can more accurately monitor these types of mortgage;
- income verification, to remove reference to mortgages where income is not evidenced (as this will no longer be acceptable under the MMR); and
- method of repayment, which we are simplifying to remove references to repayment strategies, and creating a separate data item to collect a wider variety of repayment strategies for interest-only mortgages.

Q5: Do you agree with the proposed additional data items? If not, which items don't you agree with and why?

Q6: Do you agree with the proposed changes to the existing data items? If not, which items don't you agree with and why?

Q7: Will any of these changes cause practical issues (e.g. the proposed format of the data)? If so, please provide details.

Performance data

2.31 We collect aggregate data on arrears, possessions and forbearance through the Mortgage Lending and Administration return (MLAR). But we do not currently collect transaction-level data, so we are not able to link the performance of the individual mortgage back to the original characteristics of that mortgage.

2.32 In 2009, the Council of Mortgage Lenders (CML) helped us to obtain one-off transactional arrears and repossessions data from a cross-section of lenders. We repeated this in 2011 and 2012. The vast majority of lenders were able to report this data to a good standard within a relatively short period. The data proved invaluable in our policy analysis and helped inform the development of our MMR responsible lending rules.

2.33 In DP09/03[10], we asked whether we should collect data to enable us to track arrears and repossessions cases back to the original transaction. Most respondents supported this proposal.

2.34 In future, we would like to make this a regular part of firms' regulatory reporting requirements. We propose that lenders should report data on all current regulated mortgage contracts i.e. those that are still live, and those that have been closed during the reporting quarter.

2.35 The proposed performance data is made up of two elements:

- data on arrears and forbearance; and
- key mortgage characteristics.

2.36 The data on arrears and forbearance is as follows:

- the firm reference number (FRN) of the current lender, and where the loan is administered by a regulated third party, its FRN;

10 DP09/03, *Mortgage Market Review* (October 2009): www.fsa.gov.uk/pubs/discussion/dp09_03.pdf

- matching data, to ensure that we can match the data with the original transaction i.e. post code, age of first borrower, date the mortgage account was opened, original transaction reference, original size of loan, and original term of loan, and reference number of the original product provider[11];
- current amount of payment shortfall [12];
- date of first instance of arrears[13];
- details of whether forbearance has been applied, and the date of the forbearance, as follows:
  - a formal arrangement to repay a payment shortfall;
  - capitalisation of a payment shortfall;
  - a temporary switch to interest-only and part interest-only;
  - a payment holiday (for forbearance reasons);
  - reduced payments;
  - a term extension (for forbearance reasons); and
  - other forbearance;
- date of litigation action;
- details of possession – date of possession order and whether this is still in place, date of repossession (or appointment of rent receiver) and sale value achieved.

2.37 We also propose to collect some basic characteristics of all live mortgages, to help us understand the current characteristics of the mortgage that may have changed since the sale. This will play an important part in our wider monitoring of conduct risks in the mortgage market. These characteristics are as follows:

- current balance outstanding;
- current value of property (this can be indexed), and the valuation method used (e.g. which index);
- current full contractual monthly payment;
- value of linked accounts (for offset mortgages);
- current interest rate, rate type and date incentivised rate ends (where relevant);

11 Where the loan has been sold, the current lender may not have all of this data, so it only must be reported where known

12 *Payment shortfall* will be defined, from 26 April 2014, as 'the outstanding amount to be paid measured against the amount of payments which have become due during the term of a regulated mortgage contract or home purchase plan, including the arrears amount due.'

13 See http://fshandbook.info/FS/html/FCA/Glossary for definition of arrears

- remaining term of mortgage (including, where the contractual term has ended, the number of months past maturity);
- the current method of repayment (i.e. capital and interest, or interest-only); and
- the reason for closure of the account.

2.38 Full details of the proposed performance data can be found in Appendix 1.

> **Q8: Do you agree with the proposed performance data items? If not, which items don't you agree with and why?**
>
> **Q9: Will any of the proposed performance data items cause practical issues (e.g. the proposed format of the data)? If so, please provide details.**
>
> **Q10: Do you agree that we should collect information on the basic characteristics of all mortgages on a quarterly basis?**

Bridging loans

2.39 Bridging loans are regulated mortgages, and as such are covered by PSD reporting requirements. We would like to improve the quality of data that we receive for bridging loans, to help us to better supervise this sector. This is particularly important given the growth in this sector over recent years, and ongoing concerns about conduct. We therefore propose to include additional fields so that we can more clearly identify bridging loans, their characteristics, and the types of consumers who take out bridging finance. We propose to capture whether a mortgage is a bridging loan through the 'mortgage characteristics' field. A separate field will capture whether interest is rolled-up (which will then 'switch off' the income and expenditure fields).[14] We also propose to introduce a new data field that will allow us to collect data on the term of bridging loans (in months).

> **Q11: Will any of the proposed data items for bridging loans cause practical issues (e.g. the proposed format of the data)? If so, please provide details.**

Practical considerations

2.40 We are not proposing to change the scope of PSD, in terms of the firms that are required to report it (i.e. product providers) or the products it relates to (i.e. regulated mortgage contracts). We are not proposing to change the reporting schedule either. PSD will continue to be reported by firms within 20 working days of the end of each quarter. We propose that the performance data would also be reported to the same schedule.

14 The income and expenditure rules do not apply for interest roll-up mortgages, because no payments are due during the term.

2.41 However, it may take us longer to validate the data. This is because collecting performance data will represent a significant increase in the volume of data collected (i.e. because we are proposing to collect data on all current regulated mortgage contracts every quarter), which may take us a few days longer to process. We will finalise our approach to this following consultation, and, if necessary, communicate our approach to firms.

2.42 We are proposing to collect both sales data and performance data through PSD. In reality, there will be two distinct reports, one for sales data and one for performance data. We will update our technical guides for firms following consultation.

2.43 While we are making most data items compulsory for firms to report, there will be many data items which will not be relevant to particular individual mortgages. For example, the forbearance options in the performance data. Where this is the case, firms can leave these fields blank. However, the data items must be reported where they apply.

Privacy issues

2.44 Under the proposed rules, we will receive data from firms that includes financial information about individual borrowers. This will engage the Data Protection Act 1998 and the Human Rights Act 1998.

2.45 The Data Protection Act 1998 governs the use or holding of personal data which relates to identifiable living individuals. We comply with the Principles of the Data Protection Act (which relate to the collection, processing, storage and destruction of personal data), and with any guidance and Codes of Practice issued by the Information Commissioner.

2.46 The specific purpose of collecting the information is outlined in this CP at paragraphs 2.5 to 2.8. In summary, the purpose is to ensure we can effectively supervise the MMR, to enable us to monitor conduct and identify risks in the mortgage market, and to monitor the impact of the MMR.

2.47 Any personal data we collect will be fairly and lawfully processed in compliance with the first data protection principle. The rules will provide a legal basis for the provision of personal data to us, and we will be transparent about the use of the data. There will potentially be instances where we share information with law enforcement agencies in relation to suspected mortgage fraud; although these instances are likely to be limited in nature.

2.48 We are committed to ensuring that our data handling and sharing processes are compliant with section 6 of the Human Rights Act 1998 and Article 8 of the European Convention on Human Rights, in particular the right to respect for private and family life ('the right to privacy'). We consider that in collecting the data we will be acting compatibly with the right to privacy. The collection of the data is necessary to achieve the aims set out in this consultation paper, and any interference with the right is proportionate to those aims.

Second charge mortgages

2.49 The Government is currently consulting on transferring the regulation of second charge mortgages to the FCA with effect from April 2014. As part of this transfer, the Government and the FCA are proposing that second charge mortgages will initially sit within with FCA regime for consumer credit.[15] The longer term regulatory regime for second charge mortgages will be consulted on when there is greater clarity on the potential requirements on second charge mortgages arising out of the European Directive on Mortgage Credit, which is currently being negotiated.

2.50 While the longer term regime for second charge mortgages will be consulted on at a later date, we are conscious of the possibility it will involve applying similar reporting requirements to second charge mortgages as there are for first charge mortgages. This might mean that firms need to make further changes to PSD to accommodate this. So we recognise there may be cost savings for firms to make both sets of changes to their reporting systems at the same time.

2.51 The potential future changes to PSD that we might implement, if PSD reporting is required for second charge mortgages, are:

- the ability to identify a loan as being a second charge loan or a second charge loan as part of the mortgage's characteristics; and
- where a loan is a second charge loan, the ability to state separately what the purpose of the loan is (e.g. home improvements, debt consolidation, both of these, or 'other').

2.52 These changes are set out in part 2 of the draft instrument, as set out in Appendix 1. If adopted in the future, these rules would not be formally 'made' by us until after consultation on the longer term second charge regime.

2.53 We are not pre-empting in any way the decision about whether second charge mortgages will be regulated by the FCA in future, nor are we saying that there would be requirements to report on second charge mortgages in PSD if they were – these are still matters for consultation and decision. We are simply pointing out these potential changes in case it is helpful for firms to build them into their systems now on the basis that they can later be 'switched on' if required, and firms make the choice to do so.

2.54 We will publish an update of our thinking in this area in our Policy Statement on these reporting changes.

Q12: Do you agree with our approach to making allowance for the reporting of second charge mortgages?

Draft rules

2.55 The draft rules are set out in Appendix 1.

Q13: Do you have any comments on the draft rules set out in the draft *Supervision Manual (Product Sales Data and Mortgage Lending and Administration Return) Instrument 2013* at Appendix 1? Do you think the rules reflect the stated policy intention?

15 See: *A new approach to financial regulation: transferring consumer credit regulation to the Financial Conduct Authority* (March 2013) www.gov.uk/government/uploads/system/uploads/attachment_data/file/188407/consult_transferring_consumer_credit_regulation_to_fca.pdf.pdf; and FSA CP13/7, *High-level proposals for an FCA regime for consumer credit* (March 2013) www.fca.org.uk/your-fca/documents/consultation-papers/fsa-cp137

3. Mortgage Lending and Administration Return

Background

3.1 Mortgage lenders and administrators already provide us with aggregate data on their mortgage lending and administration activities through the Mortgage Lending and Administration Return (MLAR).[16]

3.2 We are proposing to collect some additional information through the MLAR to help us supervise the MMR prudential requirements for non-deposit taking mortgage lenders (non-banks) that come into force on 26 April 2014. These rules are set out in our Policy Statement PS12/16.[17]

3.3 As a result, we are proposing the following changes to MLAR:

- amendments to section C, to collect additional information on capital;
- a new section L, to collect information on credit risk; and
- a new section M, to collect information on liquidity.

3.4 As with the current Section C, these forms will only need to be completed by non-banks subject to MIPRU.[18] [19] They are not applicable to banks and building societies, or their subsidiaries which are solo-consolidated (and therefore not separately subject to the MIPRU rules).

3.5 As we explained in PS12/16, we are considering how the new prudential regime could be made more accessible to firms. We do not expect that any further changes we might introduce to the regime would have a significant impact on the data that we need to collect.

The proposed changes

Section C

3.6 We propose to expand section C so that it shows the amount of any subordinated loans separately and cross-refers (where necessary) to the computation of the credit risk capital requirement on new section L (see below). The amount of any subordinated loans is important because it will be restricted under MIPRU 4.4.8R to four times the firm's share capital and reserves less its intangible assets.

16 In line with SUP 16.12 of our Handbook

17 PS12/16, *Mortgage Market Review: Feedback on CP11/31 and final rules,* (October 2012): www.fsa.gov.uk/static/pubs/policy/ps12-16.pdf

18 MIPRU is the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries

19 Form M will not be applicable to a firm with a restriction on its Part 4a permission that prevents it from entering into or administering new regulated mortgage business from 26 April 2014

Section L

3.7 We propose to introduce section L so that firms must provide an analysis of their credit risk capital requirement as calculated under MIPRU 4.2A, 4.2B and 4.2C. It will only be relevant to firms that have permission for regulated mortgage business and have a relevant exposure[20] after the implementation of the new rules on 26 April 2014.

3.8 Section L requires firms to analyse balance sheet exposures between loans not securitised, investments in collective investment undertakings and securitisations. Each exposure is then adjusted for any credit risk mitigation and other value adjustments to arrive at the risk weighted exposure amount, which forms the basis of the calculation of the capital requirement. Section L is intended to be a summary of the credit risk capital requirement calculation and not a detailed work schedule.

3.9 Exposure and capital requirement details are also required in respect of past due items, buy-to-let mortgages and second charge mortgages. In addition, transaction level information is required where the firm is the originator of securitisations.

Section M

3.10 We propose to introduce section M so that a firm can confirm that it complies with the new liquidity resources requirements in MIPRU 4.2D. It will not be relevant to a firm whose Part 4a permission restricts it from undertaking new regulated mortgage business after 26 April 2014.

3.11 Section M asks the firm to confirm it has maintained adequate liquidity resources, has adequate systems and controls, undertakes stress testing regularly, has an appropriate contingency funding plan in place, and sufficient senior management oversight.

Practical considerations

3.12 We propose supporting guidance for sections C, L and M in the 'Notes for Completion of the Mortgage Lending & Administration Return' to explain clearly how the new sections should be completed. We also propose amendments to the Introduction section of the Notes, which will bring the document up to date with the new sections and to which firms they apply. Both are included in the draft instrument in Appendix 1.

3.13 The changes that are being proposed to SUP 16 Annexes 19AR and 19BG will only be relevant to firms that are supervised by the FCA for prudential purposes. It is proposed that these changes will only be made in the FCA Handbook.

3.14 The provision in SUP 16.12 that requires the MLAR sections to be submitted is also in the PRA Handbook. The changes proposed by this consultation do not affect firms regulated by the PRA, so the PRA will retain the provision in its current form (SUP 16.12.18AR), and we will add a new provision, SUP 16.12.18BR, to the FCA Handbook. This provision will include two additional rows for Credit Risk and Liquidity. There will be accompanying Notes for each of these rows detailing the specific requirements.

20 In this context a relevant exposure is a loan entered into, a securitisation position originated, or a collective investment undertaking position entered into.

Draft rules

3.15 The draft rules are set out in Appendix 1.

Q14: Do you agree that the proposed changes to SUP 16.12, along with the proposed new forms and Guidance Notes, will provide us with sufficient information to assess whether firms are complying with the MIPRU capital and liquidity resources requirements?

Q15: Do you have any comments on the draft rules set out in the draft *Supervision Manual (Product Sales Data and Mortgage Lending and Administration Return) Instrument 2013* at Appendix 1? Do you think the rules reflect the stated policy intention?

Annex 1
Cost benefit analysis

1. Sections 138I and 138J of the Financial Services and Markets Act (FSMA) requires us to publish a cost benefit analysis (CBA) when proposing draft rules and when making rules which are significantly different from the draft consulted on. In particular, we are required to publish an analysis of the costs together with an analysis of the benefits and an estimate of those costs and of those benefits.

2. However, if we believe that these costs or benefits cannot reasonably be estimated or it is not reasonably practicable to produce an estimate, we do not need to give one, as long as we explain why not.

3. Finally, no CBA is required if we consider there will be no increase in costs or there will be a cost increase of minimal significance.

4. Our approach to CBA considers the following incremental impacts of our proposals:

   - the direct costs to us;
   - the compliance costs to firms;
   - the market impacts; and
   - the benefits.

5. The CBA compares a scenario where the proposed requirements are in place with a scenario in which they are not. For each requirement we consider the incremental costs of complying with the proposals (i.e. the additional cost of our requirements compared with the costs that firms already face).

6. To research the costs, we carried out a small survey of lenders that will be affected by our proposals, to ask for details on the expected costs. We considered the costs of the proposed changes to both Product Sales Data (PSD) and the Mortgage Lending and Administration Return (MLAR).

7. The response rate to the survey was low. Seven lenders provided submissions for the PSD reporting requirements (although not all answered all the survey questions), and three non-bank lenders provided submissions on the MLAR. Our cost estimates are based on the information they provided. Given the low response rate, we are interested in any further data firms can give us that could help us improve our estimates.

Direct costs to the FCA

8. Our direct costs will arise from developing, setting up and maintaining the reporting systems. Additional costs will arise from formulating our proposals and from ensuring the quality of submitted data. These include the costs of:

- setting up changes to our reporting systems, so that firms can accurately submit the data we require. This is estimated to be around £1m; and
- ensuring the quality of data. This will also be minimal as many of our systems are automated. This will be managed within our existing resources.

Compliance costs to firms

9. Under the proposals, all mortgage lenders will need to submit enhanced data to us, on a quarterly basis, as set out below.

10. **Product Sales Data (PSD).** This contains transaction level data on all sales of regulated mortgage contracts. We propose to:

- collect enhanced affordability data;
- make some existing optional data fields in PSD mandatory, to allow meaningful comparative analysis;
- collect some additional data and amend some existing PSD data fields to reflect other MMR changes and to ensure the data we collect remains relevant and up to date; and
- collect data on the performance of all existing regulated mortgage contracts (i.e. the basic characteristics of the mortgage and whether borrowers have experienced payment difficulties).

11. See Chapter 2 for further details.

12. **Mortgage Lending and Administration Return (MLAR).** We propose to collect additional data items from non-deposit taking mortgage lenders to help us supervise the MMR prudential reforms for these firms. See Chapter 3 for further details.

13. We have estimated the total costs per firm of introducing reporting requirements proposed in this paper based on the responses to a costs survey we sent to firms.

14. We divide the estimates between the one-off costs of introducing the proposals from the annual cost of complying with them (which would include collecting and submitting the data). The estimates represent the range of costs firms might incur to implement our proposals. These costs vary according to factors such as the firm's size, and the systems they use.

Who will be affected by these changes?

15. The proposed PSD changes will affect all firms that submit mortgage product sales data. This currently includes about 250 firms, including banks, building societies, bridging lenders, lifetime mortgage lenders, and credit unions.

16. The proposed MLAR changes will affect only non-deposit taking mortgage lenders (non-banks) who are subject to MIPRU, currently around 100 firms. The changes are not applicable to bank and building societies, or their subsidiaries which are solo-consolidated (and therefore not separately subject to the MIPRU rules).

Product Sales Data

17. The PSD requirements have two key elements:

- changes to sales data that we already collect; and
- the collection of a new category of data i.e. performance data.

18. We already collect sales data through PSD. We are proposing to collect additional data items, primarily to help us supervise new MMR conduct requirements, and to make some optional field compulsory. We do not currently collect performance data at a transactional level through regulatory reporting.

19. Table 1 shows a breakdown of the estimated costs for these two elements.

Table 1. Total one-off and ongoing incremental compliance cost per firm

Additional reporting requirement	One-off costs per firm	Ongoing costs per firm
Additional PSD sales data (including affordability data)	£28k to £1m	£2.5k to £100k
PSD performance data	£29k to £263k	£6k to £19k

20. Following the low response rate to this survey, these estimates are based on a small number of responses from very disparate firms, making the calculation of reliable estimates difficult. For example, the upper bound estimates were provided by a very large lender, and so is unlikely to be representative of most firms in the market.

21. Most lenders who responded to the survey noted that their estimates represented initial, high-level estimates, and they would need deeper analysis to obtain more accurate estimates. However, they felt that the changes would require significant resource and time to implement.

22. The PSD questionnaire that we circulated to firms contained significantly more affordability items than the proposals we are consulting on, so costs may be lower than firms have estimated.

23. One-off costs for the sales data were estimated between £28k and £1m, with an average of £270k. These costs were mainly systems-related, including systems development and testing. Other costs included staff training, and changing application forms to collect the data required.

24. Larger lenders operating their own systems estimated higher one-off costs than smaller firms. This may be due to the complexity of larger lenders' systems. Smaller firms in our sample tended to share systems costs with other lenders, through third party operated systems, which therefore reduced the costs for individual firms. However, while the costs were lower for smaller firms, they were not insignificant.

25. Ongoing costs for sales data were estimated to be between £2.5k and £100k. This is lower than the one-off costs, as most firms' reports would be automated, and therefore would not require significant ongoing resource. Costs are likely to be higher for firms who submit data manually.

26. However, firms did expect some ongoing costs, such as increased data entry, testing, checking and compliance monitoring. One firm felt that they would need to collect additional data for each sale, which would also lead to additional costs to collate and record this additional information.

27. For the performance data, estimated one-off costs were estimated to be between £29k and £263k. Systems changes were again a key driver of the costs, and were expected to be higher where firms would be required to extract data from multiple systems. Other costs included staff training.

28. Ongoing costs were estimated to be between £6k and £19k. As for the sales data, the reports would mostly be automated, but ongoing costs would arise from increased data entry, testing, checking and compliance monitoring.

Q16: Do you agree with our cost estimates for PSD? Do you have any information on costs that could help us improve our estimates?

Mortgage Lending and Administration Return

29. The MLAR proposals will only apply to lenders who are subject to MIPRU requirements[21], and therefore not banks, building societies, or solo-consolidated subsidiaries. These firms will be required to submit the following:

- additional data on capital (captured through section C of the MLAR);
- data on credit risk (section L); and
- data on liquidity (section M).

30. Table 2 shows a breakdown of the estimated costs for these two elements.

Table 2. Total one-off and ongoing incremental compliance cost per firm

Additional reporting requirement	One-off costs per firm	Ongoing costs per firm
MLAR additional capital fields (section C)	Minimal	Minimal
MLAR credit risk (section L)	£1.5k to £28k	£1k to 1.2k
MLAR liquidity (section M)	£100 to £400	£40 to £450

31. The estimated costs for the proposed MLAR changes were significantly lower than the PSD costs. This is mainly due to the level of systems changes required. While PSD is an automated report for most firms, MLAR is usually completed manually (although software packages may be used to generate the data that is entered into the report).

21 MIPRU is the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries

32. Firms estimated the one-off and ongoing costs for the additional capital fields (section C) to be minimal. This is because the additional data is largely taken from the new credit risk data required in section L, and there would not be any significant systems changes.

33. The credit risk data (section L) had the highest estimated costs, with one-off costs estimated to be £1.5k to £28k, and ongoing costs £1k to £1.2k. This is the most complex of the new MLAR forms, requiring the most analysis to report the data to us. In practice, the one-off costs may be lower than estimated, as firms will have to calculate this information anyway, whether we require them to report it or not, to ensure that they comply with the new requirements. So the incremental cost of reporting this data to us may be lower than estimates suggest.

34. Some firms also expected systems changes, and additional costs such as software training.

35. The ongoing costs appeared mainly to arise from staff costs e.g. the costs of collating and inputting the data.

36. The costs of the liquidity data (section M) were estimated to be fairly low, with one-off costs expected to be £100 to £400, and ongoing costs from £40 to £450. This again is because there are no significant systems changes, as this form mainly requires 'yes/no' answers, and so costs represent the staff costs of manually completing this section.

Q17: Do you agree with our cost estimates for the MLAR? Do you have any information on costs that could help us improve our estimates?

The market impacts

37. We do not expect these changes will have market impacts. In particular, in relation to competition, we do not expect that the proposed changes will affect the number of firms providing mortgages, or their incentives to compete with each other for customers.

Benefits

38. The key benefit of these proposed enhancements to regulatory reporting will be the material improvement in our ability to effectively supervise compliance with the MCOB rules introduced by the MMR[22] – particularly the responsible lending rules (through the collection of additional income, expenditure and performance data) – and to ensure that the benefits outlined in the MMR CBA[23] are realised. Similarly, the additional data collected through the MLAR will enable us to supervise the new prudential rules for non-banks.

39. The additional data will allow us to identify non-compliance by mortgage lenders and alert us to emerging issues (through our ability to identify trends and outliers) earlier than through alternative supervisory channels, such as firm specific or thematic work. It is also expected that firms' awareness that we are monitoring compliance with the MMR could improve their compliance.

22 which come into force on 26 April 2014

23 See Annex 1 of CP11/31, *Mortgage Market Review: Proposed package of reforms,* (December 2011): http://www.fsa.gov.uk/static/pubs/cp/cp11_31.pdf

40. It is not practical to accurately estimate the extent to which firms' compliance with MMR requirements will improve, or the number of consumers that will benefit as a result (e.g. by being sold an affordable mortgage). However, in the MMR CBA[24] we estimated the potential benefit to each borrower from being sold an affordable mortgage as around £350 in welfare benefits and £10 in reduced arrears.

41. In addition to the benefits related to improved compliance, the enhanced data could enable us to use our resources more efficiently. The use of data is a less resource intensive method of monitoring compliance, and identifying trends and outliers, than thematic reviews or manual information requests (for example, one small thematic review[25] might cost around £45,000). It may also enable us to deploy resource to other FCA priorities.

42. The enhanced data will also help us meet our public commitment to undertake a post-implementation review of the MMR rules, and to monitor whether the desired outcomes of the MMR are achieved (i.e. a market that is sustainable for all participants; and a flexible market that works better for consumers).

24 See Annex 1 of CP11/31, *Mortgage Market Review: Proposed package of reforms*, (December 2011): www.fsa.gov.uk/static/pubs/cp/cp11_31.pdf

25 Assuming 3 full time staff for 3 months

Annex 2
Compatibility statement

1. This Annex explains our reasons for concluding that our proposals in this consultation are compatible with certain requirements under the Financial Services and Markets Act 2000 (FSMA).

2. When consulting on new rules, the FCA is required by section 138I(2)(d) FSMA to include an explanation of why it believes making the proposed rules is compatible with its strategic objective, advances one or more of its operational objectives, and has regard to the regulatory principles in s.3B FSMA. We are also required by s. 138K(2) FSMA to state its opinion on whether the proposed rules will have a significantly different impact on mutual societies as opposed to other authorised persons.

3. This Annex also sets out our view of how the proposed rules are compatible with our duty to discharge our general functions (which include rule-making) in a way which promotes effective competition in the interests of consumers (s.1B(4)). This duty applies in so far as promoting competition is compatible with advancing the FCA's consumer protection and/or integrity objectives.

4. This Annex includes our assessment of the equality and diversity implications of these proposals.

The FCA's objectives and regulatory principles

5. The proposals set out in this consultation are primarily intended to advance our operational objectives of:

   - Delivering consumer protection – securing an appropriate degree of protection for consumers.
   - Enhancing market integrity – protecting and enhancing the integrity of the UK financial system.
   - Building competitive markets – promoting effective competition in the interests of consumers.

6. This is because the collection of enhanced data will allow us to more effectively monitor compliance with Mortgage Market Review (MMR) requirements and identify risks in the mortgage market.

7. We consider these proposals are compatible with the FCA's strategic objective of ensuring that the relevant markets function well because they will improve our ability to monitor developments in the mortgage market.

8. In preparing the proposals set out in this consultation, the FCA has had regard to the regulatory principles set out in s. 3B FSMA.

The need to use our resources in the most efficient and economic way

- Enhanced data collection through regulatory reporting is a more efficient and economic method of identifying trends and outliers than alternative methods such as manual information requests to firms and thematic reviews.

The principle that a burden or restriction should be proportionate to the benefits

- We consider that the cost of these proposals is proportionate to the benefits, because as discussed in the cost benefit analysis (CBA) (Annex 1) they will:
  - enable us to gather data to effectively supervise the MMR and to ensure that the benefits outlined in the MMR CBA are realised;
  - alert us to emerging issues through our ability to identify trends and outliers in the mortgage market; and
  - enable us to use our resources more efficiently.

The general principle that consumers should take responsibility for their decisions

- Enhanced data reporting will provide insight into consumer trends and behaviour, to help us better understand the decisions consumers make and how they might take more responsibility for their decisions.

The responsibilities of senior management

- Enhanced data reporting will enable us to better understand the mortgage market and the conduct of firms.

The desirability of publishing information relating to persons

- We may publish aggregate data on trends in the mortgage market.

The principle that we should exercise our functions as transparently as possible

- Our data reporting requirements are published, and therefore transparent to firms and consumers.

9. In formulating these proposals, we have had regard to the importance of taking action intended to minimise the extent to which it is possible for a business carried on (i) by an authorised person or a recognised investment exchange; or (ii) in contravention of the general prohibition, to be used for a purpose connected with financial crime (as required by s.1B(5)(b) FSMA). The data collected will enable us to more effectively identify and prevent financial crime, particularly in relation to mortgage fraud.

Expected effect on mutual societies

10. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies than other firms. However, we recognise that mutual societies tend to be smaller firms and therefore the costs will be proportionally more to them than for larger firms.

Compatibility with the duty to promote effective competition in the interests of consumers

11. In preparing the proposals as set out in this consultation, we have had regard to the FCA's duty to promote effective competition in the interests of consumers.

12. As we explain in the cost benefit analysis of these proposals in Annex 1, we do not expect these changes to have market impacts. In particular, in relation to competition, we do not expect that the proposed changes will affect the number of firms providing mortgages, or their incentives to compete with each other for customers.

13. The data collected will also help us identify how well this market is working for consumers, and may help us identify competition issues in this market.

Equality and diversity

14. We are required under the Equality Act 2010 to 'have due regard' to the need to eliminate discrimination and to promote equality of opportunity in carrying out our policies, services and functions. As part of this, we conduct an equality impact assessment to ensure that the equality and diversity implications of any new policy proposals are considered.

15. Our findings indicate that these proposals have no anticipated positive or negative impacts on particular groups as a result of any protected characteristic.

Annex 3
List of questions

Q1: Do you agree with the proposed affordability items? If not, which items don't you agree with and why?

Q2: Will any of the proposed affordability items cause practical issues (e.g. the proposed format of the data)? If so, please provide details.

Q3: Do you agree that these data items should be made compulsory? If not, which items don't you agree with and why?

Q4: Will the compulsory reporting of these items cause practical issues (e.g. the proposed format of the data)? If so, please provide details.

Q5: Do you agree with the proposed additional data items? If not, which items don't you agree with and why?

Q6: Do you agree with the proposed changes to the existing data items? If not, which items don't you agree with and why?

Q7: Will any of these changes cause practical issues (e.g. the proposed format of the data)? If so, please provide details.

Q8: Do you agree with the proposed performance data items? If not, which items don't you agree with and why?

Q9: Will any of the proposed performance data items cause practical issues (e.g. the proposed format of the data)? If so, please provide details.

Q10: Do you agree that we should collect information on the basic characteristics of all mortgages on a quarterly basis?

Q11: Will any of the proposed data items for bridging loans cause practical issues (e.g. the proposed format of the data)? If so, please provide details.

Q12: Do you agree with our approach to making allowance for the reporting of second charge mortgages?

Q13: Do you have any comments on the draft rules set out in the draft *Supervision Manual (Product Sales Data and Mortgage Lending and Administration Return) Instrument 2013* at Appendix 1? Do you think the rules reflect the stated policy intention?

Q14: Do you agree that the proposed changes to SUP 16.12, along with the proposed new forms and Guidance Notes, will provide us with sufficient information to assess whether firms are complying with the MIPRU capital and liquidity resources requirements?

Q15: Do you have any comments on the draft rules set out in the draft *Supervision Manual (Product Sales Data and Mortgage Lending and Administration Return) Instrument 2013* at Appendix 1? Do you think the rules reflect the stated policy intention?

Q16: Do you agree with our cost estimates for PSD? Do you have any information on costs that could help us improve our estimates?

Q17: Do you agree with our cost estimates for the MLAR? Do you have any information on costs that could help us improve our estimates?

Appendix 1
Draft Handbook text

SUPERVISION MANUAL (PRODUCT SALES DATA AND MORTGAGE LENDING AND ADMINISTRATION RETURN) INSTRUMENT 2013

Powers exercised

A. The Financial Conduct 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 137A (The FCA's general rules);
(2) section 139A (Power of the FCA to give guidance); and
(3) section 137T (General supplementary powers).

B. The rule-making powers listed above are specified for the purpose of section 138G (Rule-making instruments) of the Act.

Commencement

C. The Financial Conduct Authority directs that:

(1) Part 1 of the Annex to this instrument comes into force on 31 October 2014;
(2) Part 2 of the Annex to this instrument comes into force on [*to be advised*].
(3) Part 3 of the Annex to this instrument comes into force on [*to be advised*].

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 Supervision Manual (Product Sales Data and Mortgage Lending and Administration Return) (Amendment) Instrument 2013.

By order of the Board

[*date*]

Annex

Amendments to the Supervision Manual

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

Part 1: comes into force on 31 October 2014

…

16.11.2 G (1) The purpose of this section is to set out the requirements for *firms* in the retail mortgage, investment, and pure protection contract markets specified in SUP 16.11.1R to report individual product sales data<u>, and to report individual performance data on *regulated mortgage contracts*,</u> to the *FCA*. In the case of *firms* in the sale and rent back market, there is a requirement to record, but not to submit, the data. These requirements apply whether the *regulated activity* has been carried out by the *firm*, or through an intermediary which has dealt directly with the *firm*.

…

16.11.3 R (1) A *firm* must submit a report (the 'data report') containing the information required by *SUP* 16.11.5R quarterly, within 20 *business days* of the end of the quarter, unless (3)<u>, (3A)</u> or (4) applies.

(2) …

(3) A *firm* need not submit a data report if no relevant sales <u>(excluding sales of *regulated mortgage contracts*)</u> have occurred in the quarter.

<u>(3A) A *firm* must submit a nil return if no relevant sales of *regulated mortgage contracts* have occurred in the quarter, or if there is no relevant performance data on *regulated mortgage contracts*.</u>

…

16.11.5 R The data report must contain sales data <u>and, for *regulated mortgage contracts*, performance data</u> in respect of the following products:

…

…

16 Annex 20G **Products covered by the reporting requirement in SUP 16.11**

G This is the *guidance* referred to in SUP 16.11.6G.

SUP 16.11.3R ~~requires~~ <u>and SUP 16.11.5R</u> <u>require</u> certain *firms* to report product sales data <u>and, in respect of *regulated mortgage contracts*,</u>

performance data. For reporting purposes, a reportable sale applies where the contract has been made and the premium has been paid.

…

Part 2: Supporting product definitions/guidance for product sales data reporting

Part 2 contains *guidance* on the terms used in part 1 and on other relevant material.

Where products have not been defined in the *Glossary*, an explanatory description is provided.

…

Mortgages

(a) Types of interest or reversion rate

Types of interest or reversion rate	**Description**
…	
~~**Tracker**~~	~~where the interest rate is guaranteed to move in line with either the Bank of England Base (or repo) Rate (BBR) or another index such as LIBOR (London InterBank Offered Rate).~~
Bank of England Base Rate tracker	where the interest rate is guaranteed to move in line with the Bank of England Base (or repo) Rate.
LIBOR tracker	where the interest rate is guaranteed to move in line with LIBOR (the London InterBank Offered Rate).
Other tracker	where the interest rate is guaranteed to move in line with an index other than the Bank of England Base Rate or LIBOR.
Capped (and collared) rate mortgage	…
~~**Cashback**~~	~~a cash amount paid by a *mortgage lender* to a *customer* (typically at the beginning of a contract) as an inducement to enter into a *regulated mortgage contract* with the *mortgage lender*.~~

…	

(b) Features

Data Item	Description
Flexible mortgage	**…**
Cashback	a cash amount paid by a *mortgage lender* to a *customer* (typically at the beginning of a contract) as an inducement to enter into a *regulated mortgage contract* with the *mortgage lender*.
Offset mortgage – positive and/or negative offset	…
***Regulated mortgage contract* with a shared equity loan attached**	A *regulated mortgage contract* where the *mortgage lender* is aware that the *customer* will also have a shared equity loan secured on the property.
Shared ownership mortgage	A *regulated mortgage contract* where the *customer* owns part of the property and rents the remainder.
Business loan	A *regulated mortgage contract* made for a business purpose.
Guarantor mortgage	A *regulated mortgage contract* where a third party agrees to meet the mortgage payments (whether in full or in part).
~~**Loans where income is not evidenced**~~	~~This applies to loans which are based on one or more *persons'* incomes. These loans are those where the lender has no independent documentary evidence to verify income (e.g. as provided by an employer's reference, a bank statement, a salary slip, a P60, or audited/certified accounts).~~
…	

16 Annex 21R **REPORTING FIELDS**

R This is the annex referred to in SUP 16.11.7R.

1 GENERAL REPORTING FIELDS

The following data reporting fields must be completed, where applicable, for all reportable transactions and submitted in a prescribed format. Shaded boxes represent non-compulsory data items.

Data reporting field	**Code (where applicable)**	**Notes**
…		
reference number of *firm* which sold the product	…	
Transaction reference (*regulated mortgage contracts* only)		A unique reference for the transaction, internal to the reporting *firm*, that will enable the *firm* to provide the *FCA* with more information concerning the transaction if required, eg the account number, application number etc.
Advice at point of sale (excluding *regulated mortgage contracts*)	Y = advised N = non-advised	~~This information will not have to be reported until July 2006.~~ ~~Firms will however be able to report his information before then if appropriate by using the appropriate code to indicate whether the sale was advised or non-advised.~~ For reporting purposes non-advised includes execution only and direct offer transactions.
Service provided at point of sale (*regulated mortgage contracts* only)	A = advised mortgage sale E = *execution-only sale* (*customer* chose to opt out of advice before sale) R = *execution-only sale*	

	(consumer received advice and rejected recommendation)	
…		

2 SPECIFIC REPORTING FIELDS

…

(c) Mortgages

The following data reporting fields must be completed, where applicable for all regulated mortgage transactions (with the exception of further advances):

Note : In the case of mixed interest rate options/combination mortgages, sales data should only be provided for the rate applying to the largest portion of the overall mortgage balance.

Data reporting field	**Code (where applicable)**	**Notes**
Number of borrowers on mortgage	1 = one 2 = two 3 = three or more	Several data reporting fields below require information for the second and/or third and subsequent borrowers. This data must be reported where there is a second, third and subsequent borrower. Where there is no second, third or subsequent borrower, leave the data reporting field blank.
Date mortgage account opened	…	
How the sale was made	F = face-to-face T = telephone I = internet P = post	Internet includes sales made via email or other electronic means of communication.
Channel of sale	D = direct I = intermediary	
Interest rate type	~~F~~ 01 = fixed rate	Enter the relevant code.

	~~C~~ 04 = capped rate ~~D~~ 02 = discount ~~T = tracker~~ ~~V~~ 05 = standard variable rate ~~B~~ 06 = Bank of England Base Rate tracker ~~L~~ 07 = LIBOR tracker ~~K~~ 08 = other tracker ~~O~~ 99 = other	If none of the existing codes apply enter sale as '~~O~~ 99' to denote 'other'. Only 1 code can be entered.
Type of reversion rate	01 = fixed rate 04 = capped rate 02 = discount 05 = standard variable rate 06 = Bank of England Base Rate tracker 07 = LIBOR tracker 08 = other tracker 99 = other	Enter the relevant code If none of the existing codes apply enter sale as '99' to denote 'other'. Only one code can be entered
Mortgage characteristics	CB = cashback FF = flexible features (allowing overpayments and underpayments) OS = offset positive and or	Use code to indicate additional mortgage characteristics if applicable. Cashback should only be reported where it ~~linked to a variable interest rate and where the cashback~~ is not being provided as an incentive to pay legal costs and valuation fees.

	negative balances L = the loan is a *lifetime mortgage* SAM = the loan is a *shared appreciation mortgage* FS = first charge mortgage with shared equity loan attached SO = shared ownership mortgage BM = business loan BL = *bridging loan* GM = guarantor mortgage HN = mortgage made to a *HNW mortgage customer* BR = buy-to-let mortgage (regulated)	Business loans should be reported for *regulated mortgage contracts* made for a business purpose. Buy-to-let mortgages should only be reported where they fall within the definition of a *regulated mortgage contract.* Where more than 1 code applies, report all.
…		
Method of repayment	C = capital and Interest I = interest-only ~~E = interest only/Endowment~~ ~~I = interest only/ ISA~~ ~~P = interest~~	Use code to indicate method of mortgage repayment Only 1 code should be entered

	~~only/Pension~~ ~~U = interest only/Unknown~~ M = mix of capital and interest only N = not known	
Repayment strategy for interest-only and mixed mortgages	E = endowment S = cash ISA or other savings P = pension I = stocks and shares ISA or other liquid investment (excluding endowment) D = downsizing (buying a cheaper property) M = sale of mortgaged property (excluding downsizing) B = sale of other property (eg buy to let or second home) A = sale of other asset C = occasional payments from income O = other repayment strategy	Report where any part of the mortgage has been advanced on an interest-only basis. Where there is more than one repayment strategy, report all.

For mixed mortgages, the percentage that is on an interest-only basis	Numeric	
Is this an *interest roll-up mortgage*?	Y = yes N = no	
Term of mortgage (excluding *bridging loans*)	Numeric	Number in whole years. (Optional for *Lifetime* and *Shared appreciation mortgages*)
Term of *bridging loan*	Numeric	Number in months (report only for *bridging loans*)
…		
Value of the mortgaged property	…	…
Type of valuation at origination of mortgage	I = internal and external inspection E = external inspection only D = drive-by A = automated valuation model X = indexed K = desktop O = other	
Income basis	…	…
Age of ~~main~~ first borrower	DD/MM/YYYY	Report age of ~~main~~ first borrower ~~only~~.
Age of second borrower	DD/MM/YYYY	Report age of second borrower (where relevant)

Remortgage transactions only	N = no extra money raised H = extra money raised for home improvements D = extra money raised for debt consolidation M- extra money raised for home improvements and debt consolidation O = other	Use code to indicate the purpose of the remortgage. Only 1 code can be entered
Employment status of ~~main~~ first borrower	…	…
Employment status of second borrower	E = employed S = self-employed R = retired O = other	Applies to second borrower only (where relevant).
Total gross income	…	…
Income verification	Y = income ~~Evidenced~~ evidenced by lender O = income evidenced by third party ~~N = income not evidenced~~	Applies to loans based on one or more persons' incomes. ~~(see guidance notes relating to 'loans where income is not evidenced)~~ (Optional for Lifetime and Shared appreciation mortgages) Report O where the lender has outsourced evidencing of income to a third party
County court judgments (CCJs) – first borrower	Numeric £	Applies where the first borrower ~~borrower/s~~ has one or more CCJs within the **last 3 years** - either satisfied or unsatisfied - with a total value greater than £500.

Value		
County court judgments (CCJs) – second borrower Value	Numeric £	Applies (where relevant) where the second borrower has one or more CCJs within the **last 3 years** - either satisfied or unsatisfied - with a total value greater than £500.
Impaired credit history of first borrower	A = arrears V = IVA B = bankruptcy D = debt relief order	Use code/s to indicate applicable credit history of first borrower. A = applies to secured loans and unsecured loans where the ~~borrower/s~~ first borrower has arrears on a previous (or current) mortgage or other secured loan within the **last 2 years** where the cumulative amount overdue at any point reached three or more monthly payments or V = applies where the ~~borrower/s have~~ first borrower has been subject to an individual voluntary arrangement (IVA) at any time within the **last 3 years** B = applies where the ~~borrower/s have~~ first borrower has been subject to a bankruptcy order at any time within the **last 3 years** D = applies where the first borrower has been subject to a debt relief order any time in the **last 3 years**
Impaired credit history of second borrower	A = arrears V = IVA B = bankruptcy D = debt relief order	Applies where relevant. Use code/s to indicate applicable credit history of second borrower. A = applies to secured loans and unsecured loans where the second borrower has arrears on a previous (or current) mortgage or other secured loan within the **last 2 years** where the cumulative amount overdue at any point reached three or more monthly payments

		V = applies where the second borrower has been subject to an individual voluntary arrangement (IVA) at any time within the **last 3 years** B = applies where the second borrower/s have been subject to a bankruptcy order at any time within the **last 3 years** D = applies where the second borrower has been subject to a debt relief order any time in the **last 3 years**
Initial gross charging rate of interest	Numeric	The amount of interest reported should be the initial gross nominal rate charged on the loan and should take into account any discount being provided. Where the advance is split, the interest rate applying to the largest part of the advance should be entered.
Date incentivised rate ends	DD/MM/YYYY	Only applies to fixed, capped or discounted rates where the *customer* is paying an incentivised rate for a set period.
Date *early repayment charge* ends	DD/MM/YYYY	If applicable, report date early repayment charge ends.
Purchase price of property (Purchases only)	£ numeric	Purchase price as stated on application form.
Is the dwelling new?	Y=Yes N=No	'New' refers to the period in which the main structure of the dwelling was completed and also means where a dwelling is being occupied for the first time. It does not include new conversions of older dwellings.
Type of currency	GBP = United Kingdom Pound EUR = Euro	If more than one applies, report the currency that applies to the largest proportion of the mortgage. Report all sums in sterling

	USD = US dollars JPY = Japanese Yen OTH = other	equivalent amount
Amount of equity withdrawal	Numeric £	Report for remortgages where the new mortgage is larger than the previous mortgage.
Amount of equity injection	Numeric £	Report for remortgages and property purchases where there is a connected sale and where the new mortgage is smaller than the previous mortgage.
Does indemnity insurance apply?	Y = yes N = no	
Customer's share of property, for first charge mortgage where there is an attached shared equity loan	Numeric	
Customer's share of property, for shared ownership	Numeric	
Value of total loan available (*lifetime mortgages* only)	Numeric £	Report only for *lifetime mortgages*, where the loan has been advanced on a drawdown basis.
Total upfront fees paid by borrower	Numeric £	
Lender fees	Numeric £	Report fees charged by the *mortgage lender*, for *advising* on or *arranging* the *regulated mortgage contract* and any product fees such as an application, reservation or

		product fee.
Mortgage intermediary or third party fees	Numeric £	Report the fees charged by a *mortgage intermediary* or third party for *advising* on, or *arranging*, the *regulated mortgage contract.*
Amount of fees or charges added to the loan	Numeric £	
Procuration fee paid to intermediary	Numeric £	Report value of *procuration fee* or cash value of any other material non-cash inducement paid by the *mortgage lender* to the *mortgage intermediary/ies* (including third parties).
Number of adults in household	Numeric	
Number of dependent adults	Numeric	Subset of number of adults in household.
Number of dependent children	Numeric	Total number of dependent children in household.
Planned retirement age of first borrower	Numeric	
Planned retirement age of second borrower	Numeric	Report where relevant.
First borrower – gross basic pay	Numeric £	Basic pay for first applicant from their main job used in the affordability assessment.
First borrower – other income from main job	Numeric £	Other income from the first applicant's main job, such as bonus or overtime, used in the affordability assessment.
First borrower – income from self-employment	Numeric £	Income from self-employment eg profits, dividends, salary used in the affordability assessment.
First borrower –	Numeric £	Any other income of first borrower

other income		used in the affordability assessment.
Second borrower – gross basic pay	Numeric £	Report basic pay of second borrower from their main job used in the affordability assessment (where relevant).
Second borrower – other income from main job	Numeric £	Other income from the second borrower's main job, such as bonus or overtime, used in the affordability assessment (where relevant).
Second borrower – income from self-employment	Numeric £	Income from self-employment, eg profits, dividends, salary, used in the affordability assessment (where relevant).
Second borrower – other income	Numeric £	Any other income of second borrower used in the affordability assessment (where relevant).
Third and subsequent borrowers – gross basic pay	Numeric £	Report gross basic pay of third and subsequent borrowers, from their main job, used in the affordability assessment (where relevant).
Third and subsequent borrowers – other income from main job	Numeric £	Other income from the third and subsequent borrowers' main job, such as bonus or overtime, used in the affordability assessment (where relevant).
Third and subsequent borrowers – income from self-employment	Numeric £	Income from self-employment, eg profits, dividends, salary, used in the affordability assessment (where relevant).
Third and subsequent borrowers – other income	Numeric £	Any other income of third or subsequent borrower used in the affordability assessment (where relevant).
First borrower – total net income used in affordability assessment	Numeric £	
Second borrower – total net	Numeric £	Report where relevant.

income used in affordability assessment		
Third and subsequent borrowers – total net income used in affordability assessment	Numeric £	Report where relevant.
Total outstanding credit commitments for all borrowers	Numeric £	Report credit commitments such as loans and credit cards that will remain outstanding following the mortgage advance.
Total monthly payment on outstanding credit commitments for all borrowers	Numeric £	Report monthly payments for credit commitments that will remain outstanding following the mortgage advance.
Other committed expenditure (not credit commitments), per month, for all borrowers	Numeric £	Report other committed expenditure that will remain outstanding following the mortgage advance, eg contracts, maintenance payments, child support, and alimony.
Basic essential expenditure per household	Numeric £	See *MCOB* 11.6.10R(2) for what comprises "basic essential expenditure".
Is basic essential expenditure actual or estimated?	A = actual E = estimated	Report 'A' where *customer*-specific information has been used in the *firm's* affordability assessment. Report 'E' where statistical or modelled expenditure data used.
Basic quality of living costs, per household	Numeric £	See *MCOB* 11.6.10R(3) for what comprises "basic quality of living costs".
Are basic quality of living costs actual or estimated?	A = actual E = estimated	Report 'A' where *customer*-specific information has been used in the *firm's* affordability assessment. Report 'E' where statistical or

		modelled expenditure data used.
Stress-tested interest rate used to assess the effect of future interest rates on affordability	Numeric	Report the actual rate used, eg sum of product rate plus any increment; or flat rate. See *MCOB* 11.6.18R for the requirements for considering the effect of future interest rate increases.
Amount of debt consolidated	Numeric £	Report only where the borrower is consolidating debt into the new mortgage.
Were the transitional arrangements used?	Y = yes, to existing borrower T = yes, to new borrower N = no	Report where the transitional arrangements were used as set out in *MCOB* 11.7.
Performance Data (report for all current *regulated mortgage contracts*)		
Reference number of *mortgage lender* that currently holds mortgage	Numeric	This field must contain the firm reference number (FRN) of the *mortgage lender* that currently holds the mortgage.
Reference number of administrator	Numeric	Where the mortgage is administered by a third party that is an *authorised person*, this field must contain the firm reference number (FRN) of that *firm*.
Post code of the mortgaged property	eg XY45 6XX	
Age of first borrower	DD/MM/YYYY	
Date mortgage account opened	DD/MM/YYYY	Report date of mortgage completion or draw-down of funds, if known.
Original transaction reference		Report the unique transaction reference of the original product sales data transaction, if known.

Original size of loan	Numeric	Report the original interest-bearing balance at completion of the mortgage, if known.
Original term of loan	Numeric	Report number in whole years as at completion of the mortgage, if known. Do not report for *bridging loans.*
Original term of loan (*bridging loans* only)	Numeric	Report number in months as at completion of the mortgage, if known. Report only for *bridging loans*.
Reference number of original product provider	Numeric	This field must contain the firm reference number (FRN) of the original product provider, if known.
Current amount of *payment shortfall*	Numeric £	Report current amount of *payment shortfall* at date of reporting.
Date of first instance of *arrears*	DD/MM/YYYY	Date when the account first met definition of *arrear*s (where relevant).
Is there a formal arrangement with a borrower to repay a *payment shortfall*?	Y/N	Report if there is a formal arrangement in place to repay a *payment shortfall.*
Date of formal arrangement	DD/MM/YYYY	Report date of most recent formal arrangement (where relevant).
Capitalisation of *payment shortfall*	Y/N	Report where a *payment shortfall* has been capitalised.
Date of capitalisation of *payment shortfall*	DD/MM/YYYY	Report date of most recent capitalisation event (where relevant).
Temporary switch to interest-only	Y/N	Report where there has there been a temporary switch of the whole mortgage to interest-only.
Date of temporary switch to interest-only	DD/MM/YYYY	Report date of most recent switch to interest-only (where relevant).

Temporary part switch to interest-only	Y/N	Report where there has been a temporary switch of part of the mortgage to interest-only.
Date of temporary part switch to interest-only	DD/MM/YYYY	Report date of most recent part switch to interest-only (where relevant).
Payment holiday	Y/N	Report where a payment holiday (ie a suspension of mortgage payments) is in place for reasons of forbearance.
Date of payment holiday	DD/MM/YYYY	Date when most recent payment holiday was put in place (where relevant).
Reduced payments other than payment holiday and switches	Y/N	Report where reduced payments, other than a payment holiday and/or temporary switch to interest-only (whether whole or part) is in place.
Date of reduced payment	DD/MM/YYYY	Date when most recent reduced payments (other than payment holiday or temporary switch to interest-only) was put in place (where relevant).
Term extension	Y/N	Report where a term extension is in place for reasons of forbearance.
Date of term extension (forbearance only)	DD/MM/YYYY	Date when most recent term extension was put in place for reasons of forbearance (where relevant).
Other forbearance	Y/N	Report where other forbearance is in place.
Date of other forbearance	DD/MM/YYYY	Report date when most recent other forbearance was put in place (where relevant).
Date litigation action started	DD/MM/YYYY	Report date of most recent litigation action (where relevant).
Date of possession order	DD/MM/YYYY	Where there has been a possession order, report date of most recent possession order (where relevant).

Is possession order still in place?	Y/N	Only report where date of possession order has been reported.
Date of possession, or date receiver of rent appointed	DD/MM/YYYY	Report where possession has occurred, or where receiver of rent appointed (where relevant).
Sale value achieved (for repossessions)	Numeric £	Report the sale price received for the repossessed property (where relevant).
Current balance outstanding	Numeric £	Report for all live *regulated mortgage contracts.*
Current value of property	Numeric £	Report current value of property, whether estimated or actual.
Method used to determine current value	H = indexed (Halifax) N = indexed (Nationwide) X = indexed (other) A = automated valuation model K = desktop V = valuation	Report V where some form of physical inspection has been carried out (whether internal, external or drive-by).
Current full contractual monthly payment	Numeric £	
Value of linked accounts	Numeric £	Report value of linked accounts for offset mortgages, eg linked bank accounts (where relevant).
Current gross rate of interest charged	Numeric	The amount of interest reported should be the gross nominal rate charged on the loan and should take into account any discount being provided. Where the advance is split, the interest rate applying to the largest part of the advance should be entered.

Date incentivised rate ends	DD/MM/YYYY	Only applies to fixed, capped or discounted rates where the *customer* is paying an incentivised rate for a set period.
Current interest rate type	01 = fixed rate 04= capped rate 02 = discount 05 = standard variable rate 06 = Bank of England Base Rate tracker 07 = LIBOR tracker 08 = other tracker 99= other	Enter the relevant code. If none of the existing codes apply enter sale as ‘99’ to denote ‘other’. Only 1 code can be entered.
Remaining term of mortgage	Numeric	Report remaining term in months.
Months past maturity	Numeric	Report months past expected maturity date, for mortgages that have not been repaid after the contractual term has expired.
Current method of repayment	C = capital and Interest I = interest-only M = mix of capital and interest only N = not known	Use code to indicate method of mortgage repayment. Only 1 code should be entered.
Reason for closure of account	R = remortgage to another lender S = remortgage to same lender M = moved	Report only for accounts closed in reporting quarter.

	house, not taken new mortgage with same lender V = moved house, have taken mortgage with same lender E = redeemed, no new mortgage P = possession O = other	

…

3 OPTIONAL REPORTING FIELDS

~~1.~~ ~~The following data items are not currently mandatory reporting fields. Firms are not obliged to report these items within the data report if the data is not readily available.~~

~~**Data reporting field**~~	~~**Code (where applicable)**~~	~~**Notes**~~
~~Initial gross charging rate of interest~~	~~numeric~~	~~The amount of interest reported should be the initial gross nominal rate charged on the loan and should take into account any discount being provided. Where the advance is split, the interest rate applying to the largest part of the advance should be entered.~~
~~Date incentivised rate ends~~	~~DD/MM/YYYY~~	~~Only applies to fixed, capped or discounted rates where the customer is paying an incentivised rate for a set period.~~
~~Date early repayment charge ends~~	~~DD/MM/YYYY~~	~~If applicable, report date early repayment charge ends.~~

2. The following data items are not required for regulatory purposes

and should only be reported by mortgage lenders who currently support the RMS (Regulated Mortgage Survey) and other home finance providers.

Data reporting field	**Code (where applicable)**	**Notes**
~~Purchase price of property (Purchases only)~~	~~£ numeric~~	~~Purchase price as stated on application form.~~
…		
~~Is the dwelling new?~~	~~Y=Yes~~ ~~N=No~~	~~New refers to the period in which the main structure of the dwelling was completed and also means where a dwelling is being occupied for the first time. Does not therefore include new conversions of older dwellings.~~
…		

Part 2: comes into force on [*date to be advised*]:

16 Annex 20G **Products covered by the reporting requirement in SUP 16.11**

2 SPECIFIC REPORTING FIELDS

…

(c) Mortgages

The following data reporting fields must be completed, where applicable for all regulated mortgage transactions (with the exception of further advances):

Note : In the case of mixed interest rate options/combination mortgages, sales data should only be provided for the rate applying to the largest portion of the overall mortgage balance.

Data reporting field	**Code (where applicable)**	**Notes**
Type of reversion	…	

rate		
Mortgage characteristics	… SAM = the loan is a *shared appreciation mortgage* SC = second and subsequent charge mortgage SE = second and subsequent charge mortgage that is a shared equity loan	Use code to indicate additional mortgage characteristics if applicable. …
Remortgage transactions only	…	…
Second charge mortgages only	H = extra money raised for home improvements D = extra money raised for debt consolidation M = extra money raised for home improvements and debt consolidation O = other	Use code to indicate the purpose of the remortgage. Only 1 code can be entered

Part 3: comes into force on [*date to be advised*]:

16.12 Integrated Regulatory Reporting

…

16.12.18A R [deleted]

16.12.18B R The applicable *data items*, reporting frequencies and submission deadlines referred to in *SUP* 16.12.4R are set out in the table below. Reporting frequencies are calculated from a *firm's accounting reference date*, unless indicated otherwise. The due dates are the last day of the periods given in the table below following the relevant reporting frequency period.

Description of *data item*	*Data item* (note 1)	Frequency	Submission deadline
Annual report and accounts	No standard format	Annually	80 *business days*
Balance Sheet	Sections A.1 and A.2 MLAR	Quarterly	20 *business days*
Income Statement	Sections B.0 and B.1 MLAR	Quarterly	20 *business days*
Capital Adequacy	Section C MLAR	Quarterly	20 *business days*
Lending – Business flow and rates	Section D MLAR	Quarterly	20 *business days*
Residential Lending to individuals – New business profile	Section E MLAR	Quarterly	20 *business days*
Lending – arrears analysis	Section F MLAR	Quarterly	20 *business days*
Mortgage Administration – Business Profile	Section G MLAR	Quarterly	20 *business days*
Mortgage Administration – Arrears analysis	Section H MLAR	Quarterly	20 *business days*
Analysis of loans	Section A3	Quarterly	20 *business days*

to customers	MLAR		
Provisions analysis	Section B2 MLAR	Quarterly	20 *business days*
Fees and Levies	Section J MLAR	Annually	30 *business days*
Sale and rent back	Section K MLAR	Annually	30 *business days*
Credit Risk (note 2)	Section L MLAR	Quarterly	20 *business days*
Liquidity (note 3)	Section M MLAR	Quarterly	20 *business days*
Note 1	When submitting the completed *data item* required, a *firm* must use the format of the *data item* set out in *SUP* 16 Annex 19AR. Guidance notes for the completion of the *data items* are set out in *SUP* 16 Annex 19BG.		
Note 2	Only applicable to a *firm* that has one or more exposures that satisfy the conditions set out in *MIPRU* 4.2A.4R, and: - has permission to carry on any *home financing* which is connected to *regulated mortgage contracts*; or - has permission to carry on *home financing* and *home finance administration* which is connected to *regulated mortgage contracts* (and no other activity); or - has permission to carry on *home finance administration* which is connected to *regulated mortgage contracts* and has all or part of the *home finance transactions* that it administers on its balance sheet.		
Note 3	Only applicable to a *firm* that has no restriction to its *Part 4A permission* preventing it from undertaking new *home financing* or *home finance administration* connected to *regulated mortgage contracts*, and: - has permission to carry on any *home financing* or *home finance administration* connected to *regulated mortgage contracts.*		

…

16 Annex 19AR

MORTGAGE LENDERS & ADMINISTRATORS RETURN ('MLAR')

Summary of Contents	~~Table~~ Section
…	
Sale & Rent Back (SRB Business)	K

Credit Risk	L
Liquidity Questionnaire	M

…

C	CAPITAL	c1	(£000s)		c1	c2	C

CAPITAL RESOURCES

		Balance at quarter end
C1	**Eligible capital**	
C1.1	Reserves	
C1.2	Interim profits	
C1.3	Issued capital	
C1.3a	Subordinated loans	
C1.4	General Provisions	
C1.5	Other eligible capital	
C1.6	Total eligible Capital	
C2	**Deductions from capital**	
C2.1	Investments in own shares	
C2.2	Intangible assets	
C2.3	Interim net losses	
C2.3a	Subordinated loan restriction	
C2.4	Other deductions	
C2.5	Total deductions	
C3	**CAPITAL RESOURCES ~~(=C1.6 - C2.5)~~ CALCULATION**	
C3.1	CAPITAL RESOURCES	(=C1.6 - C2.5)
C3.2	LESS: CAPITAL REQUIREMENT	
C3.3	**SURPLUS / (DEFICIT) OF RESOURCES**	

CAPITAL REQUIREMENTS

		Balance at quarter end	*Balance at quarter end*	
C4	**For a lender, or an administrator with administered assets on its balance sheet.**			
~~**C4.1**~~	Asset based measure:			
C4.2	Total assets			
C4.2a	Less: assets subject to credit risk requirement			
C4.3	Add: undrawn commitments and home reversion unreleased amounts			
C4.4	Less: Intangible assets			
C4.5	Total adjusted assets			(=C4.2 - C4.2a + C4.3 - C4.4)
C4.6	CAPITAL REQUIREMENT:			
	a) Minimum		~~100~~	reflecting minimum capital of £100
	b) 1% of C4.5			using ~~asset based~~ flat-rate measure
	~~c) Actual requirement~~			~~being the higher of a) and b)~~
	c) Credit risk requirement			
	d) Total of b) and c)			
	e) Requirement (higher of (a) and (d))			

C5 **For an administrator not having administered assets on its balance sheet.**

		Latest financial year ending / /	*Estimated current financial year ending / /*	
~~**C5.1**~~	Income based measure :			
C5.2	Total income			
C5.3	Relevant adjustments			
C5.4	Total relevant income			(=C5.2 - C5.3)
C5.5	CAPITAL REQUIREMENT:			
	a) Minimum	~~100~~	~~100~~	reflecting minimum capital of £100
	b) 10% of C5.4			using income-based measure
	~~c) Actual requirement~~			~~being the higher of a) and b)~~
	c) Requirement (higher of (a) and (b))			

…

The following forms are new text and are not underlined

MLAR L - Credit risk

Part 1

		A	B	C	D	E		F	G
								Memo items	
		Exposure value (Balance Sheet)	Credit risk mitigation	Other Value Adjustments	Risk weighted exposure amount	Capital requirement		Individual Impairment Balance	Collective Impairment Balance
	Loans/exposures not securitised								
1	Loans with mortgages on residential property								
2	Loans with mortgages on commercial property								
3	Other loans								
4	**Collective investment undertakings**								
	Loans/exposures securitised								
5	Securitisations (originated only)								
6	Total exposure value								
7	**Total credit risk requirement**								

Part 2

Memo items

		A	D	E	F	G
		Exposure value (Balance Sheet)	Risk weighted exposure amount	Capital requirement	Individual Impairment Balance	Collective Impairment Balance
8	Past due items on loans with mortgages on residential property					
9	Past due items on loans with mortgages on commercial property					
10	Past due items on other loans					
11	Buy-to-let mortgages on residential property					
12	Buy-to-let mortgages on commercial property					
13	Second charge mortgages on residential property					
14	Second charge mortgages on commercial property					

Part 3

15 Securitisations - Transaction level information where the firm is an originator

	A	B	C	D	E	F	G	H	J	K	L
	Programme Name	Originator's Interest (i.e. amount retained)			Investors' Interest (i.e. amount purchased by investors)			Capital requirement before securitisation	Capital requirement after securitisation		
		Senior	Mezzanine	Equity	Senior	Mezzanine	Equity		Based on risk weights	Significant risk transfer add-on	Total
1											
...											
n											

16 Total capital requirement after securitisation

MLAR M

Liquidity Questionnaire

		A	B if no or not applicable, please explain (max 400 chars)
Part 1 - Adequacy of liquidity resources			
1	Do you maintain, at all times, liquidity resources which are adequate, both as to amount and quality, to ensure that there is no significant risk that you cannot meet your liabilities as they fall due? (If you answer no above, leave the remaining data elements blank)		
2	State the value of liquid resources that you hold as of the reporting date		
Part 2 - Systems and controls			
3	Do you have in place robust strategies, policies, processes and systems that enable you to identify, measure, manage and monitor liquidity risk over the appropriate set of time horizons for your business activities, to ensure you maintain adequate levels of liquidity resources?		
Part 3 - Stress testing			
4	Do you consider institution specific and market wide stresses and their impact upon your assets?		
5	Does stress testing extend to interest rate and/or foreign currency exposures that could have an impact on your liquidity/solvency?		
6	Does your firm undertake stress testing regularly on your liquidity risk model?		
7	Is your approach to stress testing documented?		
Part 4 - Contingency funding plans			
8	Do you have an appropriate contingency funding plan in place that is regularly tested and updated?		
9	Is your contingency funding plan documented?		
Part 5 - Senior management oversight			
10	Does the firm have reliable management information systems to provide the governing body/senior management with timely and forward-looking information on the liquidity position of the firm?		
11	Does the governing body/senior management review, at least annually, the adequacy of the strategies, policies, processes and systems to identify, measure, manage and monitor liquidity risk?		
12	Does the governing body/senior management approve stress tests and contingency funding plans?		

…

16 Annex 19BG Notes for Completion of the Mortgage Lending and Administration Return (MLAR)

…

INTRODUCTION: GENERAL NOTES ON THE RETURN

…

2. Overview of reporting requirements

…

Because the *MLAR* is activity based, ~~it sets out the reporting requirements for a number of different *firm* types. We expect *firms* to complete the requirements as follows~~ not all sections are applicable to all types of *home finance activity firm*. The applicability of each section is explained in the table below:

- ~~A *firm* carrying on both *home finance providing activity* and *administering a home finance transaction* will need to complete the whole of the *MLAR*;~~
- ~~A firm carrying on *home finance providing activity* but not also *administering a home finance transaction* will need to complete the whole of the *MLAR* except sections G and H;~~
- ~~A *firm* carrying on *administering a home finance transaction*, but not also *home finance providing activity*, will need to complete sections A, B, C, G, H and J of the *MLAR*.~~
- ~~*SRB agreement providers* and *SRB administrators* should complete sections A, B, C, J and K of the *MLAR*. (See section 4b for more information for *sale and rent back firms*.)~~

~~However, the above requirements are subject to the further details below, which are designed to avoid any duplication between *MLAR* reporting requirements and any other reporting requirements arising from the *firm's* other *regulated activities* (eg as a *bank*, *building society*, *securities and futures firm* etc). The rules in *SUP* 16 (section 16.12) provide full details of which sections of the *MLAR* do not apply for each *firm* type.~~

~~**Firm**~~	~~**Sections of the *MLAR* not required**~~
~~*Home finance provider/administrator* with no other activities (a)~~	~~No duplication, so complete all sections described above this table~~
~~*Home finance provider/administrator* that is also subject to the *RMAR* (a)~~	~~Duplication in RMAR, but complete all *MLAR* sections described above this table~~
~~*Securities & futures firm* or *investment management firm*~~	~~A1, A2 and B1~~
~~*Incoming EEA firm* (b)~~	~~A1, A2, B1 and C~~
~~*UK branch* of a *non-EEA bank*~~	~~No duplication, so complete all sections described above this table~~
~~*Members' adviser*~~	~~No duplication, so complete all sections described above this table~~
~~*Authorised professional firm*~~	~~No duplication, so complete all sections described above this table~~
~~Other *firm* types/*regulated activities* (except above)~~	~~A1, A2, B1 and C~~

~~**Key**: **A1**: Assets **A2**: Liabilities **B1**: Profit & Loss **C**: Capital~~
~~**Note (a):** a *firm* which is a solo-consolidated *subsidiary* of an authorised credit institution is not required to complete section C of the *MLAR*.~~

Section	**Applicability**:
A1 and A2: Balance sheet	Applies to all *home finance activity firms* except: - A *firm* that is required to submit a balance sheet by a lower numbered *regulated activity group*, as described in SUP 16.12.3R(1)(a)(iii) - An *incoming EEA firm* (note a)
A3: Analysis of loans to customers	Applies to all *home finance activity firms*
B1: Income statement	Applies to all *home finance activity firms* except: - A *firm* that is required to submit an income statement by a lower numbered *regulated activity group*, as described in SUP 16.12.3R(1)(a)(iii) - An *incoming EEA firm* (note a)
B2: Provisions analysis	Applies to all *home finance activity firms*

C: Capital	Applies to all *home finance activity firms* except: - A *firm* that is required to submit a capital adequacy *data item* by a lower numbered *regulated activity group*, as described in SUP 16.12.3R(1)(a)(iii) - An *incoming EEA firm* (note a) - A *firm* which is a solo-consolidated *subsidiary* of an *authorised credit institution*
D: Lending: business flows and rates	Applies to all *firms* with *permission* to undertake a *home finance providing activity* except: - *SRB agreement providers* - *SRB administrators*
E: Residential lending to individuals: new business profile	Applies to all *firms* with *permission* to undertake a *home finance providing activity* except: - *SRB agreement providers* - *SRB administrators*
F: Lending: Arrears Analysis	Applies to all *firms* with *permission* to undertake a *home finance providing activity* except: - *SRB agreement providers* - *SRB administrators*
G: Mortgage Administration: Business Profile	Applies to all *firms* with *permission* to undertake *administering a home finance transaction*, except: - *SRB administrators*
H: Mortgage Administration: Arrears analysis	Applies to all *firms* with *permission* to undertake *administering a home finance transaction*, except: - *SRB administrators*
J: Fee tariff measures	Applies to all *home finance activity firms*
K: Sale and rent back business	Applies to *SRB agreement providers* and *SRB administrators*
L: Credit risk	Applies to a *firm* that meets the conditions of SUP 16.12.18BR (note 2).
M: Liquidity	Applies to a *firm* that meets the conditions of SUP 16.12.18BR

	<u>(note 3).</u>

Note ~~(b)~~ <u>(a)</u>: *Credit Institutions* passporting under *BCD* for *mortgage lending* (which also includes *mortgage administration*), or other *firms* passporting under another EU Directive for a non-mortgage activity and holding a *top-up permission* from the *appropriate regulator* for *mortgage lending* and/or *mortgage administration*. Also includes *firms* classed as "*Treaty firms*" under Schedule 4 of the *Act*. But any other *EEA firm* type should complete in full all sections of the *MLAR* described above this table, as it would not be eligible for any reduction in reporting requirements.

~~**Commencement and transitional provision**~~

~~The *MLAR* sections on **Arrears** (tables F and H) are not required to be submitted as part of a *firm's* first *MLAR* submission if that first submission is in respect of the *firm's* first financial quarter starting on or after 1 April 2005; but this concession does not apply however to firms that are subject to delayed implementation of MLAR in 2006. They should however be included in all subsequent quarterly submissions. A *firm* may of course submit these sections from the outset, but is not obliged to do so.~~

~~The position regarding **building society reporting** merits specific comment. Societies have previously reported a range of information on *mortgage lending* that has much in common with certain sections of the *MLAR*. Now mortgage reporting requirements have been finalised, societies' existing reporting will change from the implementation of the *MLAR* to avoid duplication. When societies begin to submit the *MLAR*, they will no longer be required to submit the following sections of the QFS1:~~

- ~~QFS1 table G (1): All sections~~
- ~~QFS1 table G (2): All sections~~
- ~~QFS1 table J: Sections J2 and J3 only (Note (a))~~
- ~~QFS1 table K (1): Sections K1 and K2 only~~
- ~~QFS1 table K (2): Sections K4 and K5 only (Note (a))~~

~~**Note (a)**: These sections should however continue to be completed in respect of *subsidiaries* that hold mortgages but which are not required to complete the *MLAR* (ie they are not authorised to undertake a *mortgage lending* activity).~~

~~**NB:** A society may however continue to submit these sections of the QFS1, if it so wishes (in addition to the *MLAR*). This option is intended to cater for those circumstances where a society has automated the production of its QFS1 and wishes to avoid additional work involved in cutting back on reporting as specified above.~~

3. Purpose of reporting requirements

…

The reporting requirements set out in the *MLAR* will enable the *appropriate regulator* to realise these information needs. In particular:

Tables A to C, <u>L, M</u>: provide the framework for the *appropriate regulator's* financial monitoring and prudential supervision of *home finance providers* and *administrators*;

…

4b. Sale and rent back business

…

SRB firms should **not** complete sections D to H, L or M in respect of the SRB business.

…

SECTION C: CAPITAL

INTRODUCTION

The *threshold conditions* state that the resources of a *firm* must be adequate in the opinion of the *appropriate regulator* in relation to the *regulated activities* that the *firm* seeks to carry on or carries on. In addition, a *firm* is required to maintain 'adequate financial resources'. A ~~*mortgage*~~ *home finance* *lender/administrator* should have adequate capital and funding to meet these requirements.

In addition, the *FCA* and the *PRA* are required to identify the main risks to ~~our~~ their statutory objectives. In assessing *firm*-specific risks we are required to assess the risks arising from the financial failure of a *firm* (due to business risks from the external environment, or control risks arising from the *firm* itself) which might affect both the market and individual *customers*. The specific *FCA* objectives that are potentially impacted are those relating to market confidence and consumer protection.

Details provided in this Section on Capital are drawn from the appropriate provisions of *MIPRU* ~~3~~ 4 (~~Professional indemnity insurance~~ Capital Resources).

C1-2 CAPITAL RESOURCES

C1 and C2 set out ~~first~~ the individual components of **eligible capital** and ~~secondly~~ the **separate deductions** that should be made to arrive at ~~qualifying~~ capital resources**.**

Components of eligible capital are:

(1) Share capital

Share capital must be fully paid (i.e. the *firm* is under no obligation to repay this capital unless and until the *firm* is wound up) and may include ordinary *share* capital or preference *share* capital (excluding preference *shares* redeemable by shareholders within two years).

See paragraph (7) Subordinated loans below for details of the limits that may apply to the inclusion of redeemable preference shares in capital resources.

…

(3) Reserves

Reserves are accumulated profits retained by the *firm* (after deduction of tax, dividends and proprietors' or *partners'* drawings) and other reserves created by appropriations of *share* premiums and similar realised appropriations. Reserves also include gifts of capital, for example, from a parent company. For *partnerships*, reserves include *partners'* current accounts according to the most recent financial statement. Reserves must be audited unless the *firm* is eligible to include unaudited reserves in its capital resources calculation under ~~*PRU* 9.3.52R~~ *MIPRU* 4.4.2R.

…

(4) Interim net profits and partners' interim current accounts

A *firm* is not required to take into account interim net profits. However, if it does, the profits have to be verified by the *firm's* external auditors, net of tax, anticipated dividends or proprietors' drawings and other appropriations unless the *firm* is eligible to include unverified interim net profits in its capital resources calculation under ~~*PRU* 9.3.52R~~ *MIPRU* 4.4.2R.

…

(6) General /collective provisions

Firms should report general/collective provisions that are held against potential losses that have not yet been identified, but which experience indicates are present in the *firm*'s portfolio of assets. Such provisions must be freely available to meet these unidentified losses wherever they arise. General/collective provisions must be verified by external auditors and disclosed in the *firm*'s annual report and accounts unless the *firm* is eligible to include unaudited general and collective provisions in its capital resources calculation under ~~*PRU* 9.3.52R~~ *MIPRU* 4.4.2R.

…

(9) the debt must be unsecured and fully paid up.

For a *mortgage lender* or *mortgage administrator* undertaking business connected to *regulated mortgage contracts* (unless its *Part 4A permission* prevents it from undertaking new business), *MIPRU* 4.4.8R limits the amount of subordinated loans and redeemable preference *shares* that can be included in eligible capital.

In Table C of the *MLAR* the *firm* will deduct from capital resources under item C2.3a any amount by which the subordinated loans and redeemable preference *shares* exceed the limit in *MIPRU* 4.4.8R.

Treatment of eligible capital items (listed above) in section C1:

…

C1.3 Issued capital: include items

- *share* capital
- *partnership* or *sole trader* capital
- ~~subordinated loans~~

C1.3a Subordinated loans

…

C2 Deductions from capital

…

C2.2 Intangible assets are the full balance sheet value of goodwill, capitalised development costs, brand names, trademarks and similar rights and licences. ~~However, the balance sheet value for goodwill does not have to be deducted here until 14 January 2008. See MIPRU 4.4.4R~~

…

C2.3a Subordinated loan and redeemable preference share restriction

This is the amount of any excess as computed under the restriction explained in paragraph (7) of the C1-2 CAPITAL RESOURCES section above.

…

~~**C3 Total Capital Resources**~~

~~This is total eligible capital less total deductions (C1.6 – C2.5).~~

C3 CAPITAL RESOURCES CALCULATION

C3.1 CAPITAL RESOURCES

This is total eligible capital less total deductions (C1.6 – C2.5).

C3.2 Capital requirement

This is the amount calculated in section in C4.6(e).

C3.3 SURPLUS / (DEFICIT) OF RESOURCES

This is the capital resources less the capital requirement (C3.1 – C3.2).

C4 CAPITAL REQUIREMENTS

C4 Capital requirement for a lender, or an administrator with administered assets on its balance sheet

The capital requirement for ~~mortgage~~ lenders*;* or ~~mortgage~~ administrators that have the *regulated mortgage contracts* that they administer on their balance sheet is asset-based, and the information required is detailed in C4.2 to ~~C4.4~~C4.6.

C4.2 Total assets: this is the total value of ~~fixed and current~~ assets as shown at line A1.12 in section A of the *MLAR*.

C4.2a Assets subject to the credit risk requirement

This is the amount of assets subject to the credit risk requirement computation as shown at line 6A in section L of the *MLAR*.

This is relevant for a *mortgage lender*; or *mortgage administrator* with its administered assets on balance sheet, that undertakes business connected to *regulated mortgage contracts* that has one or more exposures which satisfy the conditions set out in *MIPRU* 4.2A.4R

C4.3 Undrawn commitments and home reversion unreleased amounts

Undrawn commitments means the total of those amounts which a borrower has the right to draw down from the *firm* but which have not yet been drawn down (see *MIPRU* 4.2.12R and *MIPRU* 4.2.13G).

…

C4.5 Total adjusted assets: this is the sum of C4.2 and C4.3, less C4.2a and C4.4

C4.6 CAPITAL REQUIREMENT

This section sets out how to calculate the capital requirement for a lender, or an administrator with administered assets on its balance sheet (See *MIPRU* 4.2.12R, *MIPRU* 4.2.18R and *MIPRU* 4.2.23R) :

a) is the minimum requirement of £100,000;

b) is 1 % of the amount shown as total adjusted assets at C4.5, ie the assets that are not subject to the credit risk requirement calculation;

c) is the credit risk requirement as shown at line 9E in section L of the *MLAR*;

d) is the total of b) and c);

e) is the higher of the fixed amount at a) and the sum shown at d).

C5 Capital requirement~~s~~ for an administrator not having administered assets on its balance sheet

C5.1 This section sets out the income-based capital requirements applicable to ~~*mortgage*~~ *administrator*s that ~~have been appointed by *persons* that are not authorised to administer *regulated mortgage contracts* on their behalf, and which therefore~~ do not have the assets that they administer on their balance sheet. The information requirements are detailed in C5.2 – ~~5.4~~ 5.5.

Firms should report the following amounts from both their most recent annual financial statement and their estimated accounts for the current reporting year.

C5.2 Total income

~~*Firms* should report the following amounts in their most recent (or other) financial statements, and an estimate of income for the current reporting year.~~

Total income should include both revenue and gains arising in the course of the ordinary activities of a *firm*. Revenue consists of commissions, fees, net interest income, dividends, royalties and rent. Only gains that are recorded in the profit and loss account should be included in income. What is relevant for the calculation of income is the amount of actual income generated rather than the gross cash streams of any one transaction <u>(see *MIPRU* 4.3.7R</u>.

…

<u>**C5.5** CAPITAL REQUIREMENT</u>

<u>This sets out how to calculate the capital requirement for a *administrator* not having administered assets on its balance sheet (see *MIPRU* 4.2.19R):</u>

a) <u>is the minimum requirement of £100,000;</u>

b) <u>is 10 % of the amount shown as total relevant income at C5.4 above;</u>

c) <u>is the higher of the minimum amount at a) and the calculation shown at b).</u>

…

All of the following text is new and has not been underlined

SECTION L: CREDIT RISK

INTRODUCTION

The purpose of this *data item* is so that a *firm* can provide an analysis of its credit risk capital requirement as calculated under *MIPRU* 4.2A, 4.2B and 4.2C.

This *data item* is only relevant to *firms* that meet the criteria set out in note 2 of SUP 16.12.18BR. If that is the case then all relevant exposures must be included in the credit risk capital requirement calculation. See *MIPRU* 4.2A.4R.

Please note that this *data item* is intended to be a summary of the credit risk capital calculation as calculated under *MIPRU* 4.2A, 4.2B and 4.2C and is not a detailed work schedule.

Data elements: These are referred to by row first then by column, so data element 2B will be the row numbered 2 in column B.

Section L is structured in three parts. The first part (rows 1-7) focuses on the breakdown of the credit risk capital requirement by types of exposure. The second part (rows 8-14) is a memo section that requests further detail on specific elements that will already be incorporated within the first part. The third part (rows 15 and 16) requests transaction level information on a *firm's* securitisations.

Part 1 – Rows 1 to 7
This part of the *data item* focuses on providing a breakdown of a *firm's* credit risk capital requirement under the two categories of 'loans/exposures that are not securitised' and 'loans/exposures securitised'. The category 'loans/exposures not securitised' is further broken down into four loan/exposure types. A firm should report its credit risk capital requirement across the five loan/exposure types under the two categories of 'loans/exposures that are not securitised' and 'loans/exposures securitised' in rows 1 to 5
Please note: This part cannot be used as a worksheet to calculate the credit risk capital requirement for each loan/exposure type, because some loan/exposure types may contain more than one risk weighting within the row.

Row 1 – Loans with mortgages on residential property
A *firm* should include all loans entered into with mortgages on residential property that have not been securitised in this row. This includes loans that are past due, buy-to-let loans on residential property, second charge and subsequent mortgages on residential property, and mortgages on residential property irrespective of the loan to value.

Row 2 – Loans with mortgages on commercial property
A *firm* should include all loans with mortgages on commercial property that have not been securitised in this row. This includes loans that are past due, buy-to-let loans on commercial property, and second charge and subsequent mortgages on commercial property.

Row 3 – Other Loans
A *firm* should include in this row all loans that are not included in rows 1, 2, 4 and 5.

Row 4 – Collective Investment Undertakings
A *firm* should include all positions in collective investment undertakings in this row.

Row 5 – Securitisation (originated only)
A *firm* should include all positions in assets that have been included in securitisations originated by the *firm* in this row. Rows 15 and 16 request further detail on these exposures. See *MIPRU* 4.2B for more information on calculating the credit risk capital requirement for securitisations.

Column A
A *firm* should report the exposure value of assets for each of the five loan/asset types. This should be the balance sheet value (i.e. net of any provisions). See *MIPRU* 4.2A.6 R.

Column B
A *firm* should report here the amount of credit risk mitigation for each of the five loan/asset types. See *MIPRU* 4.2C.

Column C
A *firm* should report here any other credit valuation adjustments for each of the five loan/asset types.

Column D
For each of the five loan/asset types, a *firm* should report the total *risk weighted exposure amount*. A firm should have regard to MIPRU 4.2A.7R to MIPRU 4.2A.18G when calculating *risk weighted exposure amounts*.

Column E
This contains the credit risk capital requirement for each of the five loan/asset types, which is 8 per cent of the relevant *risk weighted exposure amount* in Column D.

Columns F and G
These are memorandum item columns. For each of the five loan/exposure types, a *firm* should report the total value of individual (specific) and collective (general) impairment balances/provisions that were made BEFORE arriving at the balance sheet exposure value of loans/exposures reported in Column A.

5A Total exposure value of securitisations
This is the total exposure value of assets that have been securitised and originated by the *firm*. This should equal the sum of the value of assets reported in columns B, C and D of the table in element 15.

6A Total Exposure Value
This is the total balance sheet value of assets that have been included in the credit risk capital requirement calculation, being the sum of data elements 1A to 5A. This should also be the value of assets reported in *data element* C4.2a in *MLAR* Section C.

7E Total credit risk capital requirement
This is the total credit risk capital requirement, being the sum of *data elements* 1E to 5E. This should also be the credit risk capital requirement reported in *data element* C4.6(c) in MLAR Section C.

Part 2 – Rows 8 to 14
This part of the *data item* contains memorandum items on specific elements that have already been recorded in Rows 1 to 7. The aim of this part of the *data item* is to obtain targeted prudential information on certain loan types. As a result, a *firm* should not omit data from Part 2, because a *firm* has already included that data in Part 1. Equally, a *firm* should not omit data from Part 1, because the data will be included in Part 2. For example, if a *firm* has a past due loan on a mortgage on a residential property, that data should be included in the credit risk capital requirement calculation in row 1 **and** in row 8. Another example is a second charge mortgage on a residential property, where the data will be included in the row 1 **and** in row 13.

Column A
A *firm* should report the exposure value of assets for each specific loan type. This should be the balance sheet value (i.e. net of any provisions). See *MIPRU* 4.2A.6R.

Column D
For each specific loan type, a *firm* should report the total *risk weighted exposure amount*. A firm should have regard to MIPRU 4.2A.7R to MIPRU 4.2A.18G when calculating *risk weighted exposure amounts*.

Column E
This contains the credit risk capital requirement for each specific loan type, which is 8% of the relevant *risk weighted exposure amount* in Column D.

Columns F and G
For each specific loan type, a *firm* should report the total value of individual (specific) and collective (general) impairment balances/provisions that were made BEFORE arriving at the balance sheet exposure value reported in Column A.

Row 8 – Past due item on loans with mortgages on residential property
A *firm* should report in this row all past due loans with mortgages on residential property. See *MIPRU* 4.2A.17R

Row 9 – Past due item on loans with mortgages on commercial property
A *firm* should report in this row all past due loans with mortgages on commercial property. See *MIPRU* 4.2A.17R

Row 10 – Past due items on other loans
A *firm* should report in this row all past due loans on other loans. See *MIPRU* 4.2A.17R

Row 11 – Buy-to-let mortgages on residential property
A *firm* should report in this row all buy-to-let mortgages on residential property.

Row 12 – Buy-to-let mortgages on commercial property
A *firm* should report in this row all buy-to-let mortgages on commercial property.

Row 13 – Second charge mortgages on residential property
A *firm* should report in this row all second charge and subsequent mortgages on residential property.

Row 14 – Second charge mortgages on commercial property
A *firm* should report in this row all second charge and subsequent mortgages on commercial property.

Part 3 – Rows 15 and 16
This part of MLAR Section L provides transaction-level information on the securitisations that a firm has originated. A *firm* will report each securitisation programme in a different row and complete columns A to L for each securitisation programme.

Column A
A firm should report the name of the securitisation programme.

Columns B, C and D
A firm should record the value of the securitisation that has been retained by the firm under each of the headings: Senior, Mezzanine and Equity.

For the purposes of completing columns B, C and D of Part 3 of MLAR section L, Senior is the value of securitisation *tranches* that have *credit quality step* 1 (see the appropriate standardised approach table at http://www.fca.org.uk/your-fca/documents/fsa-ecais-securitisation), Equity is the value of securitisation *tranches* that have *credit quality step* 4, 5 or 'all other credit assessments' and Mezzanine is the value of securitisation *tranches* that are not Senior or Equity tranches. Purely for the purposes of completing columns B, C and D of Part 3, all unrated securitisation tranches should be classified as equity tranches.

Columns E, F and G
A *firm* should record the value of the securitisation that has been purchased by investors (and therefore no longer being held by the *firm*) under each of the headings: Senior, Mezzanine and Equity.

For the purposes of completing columns E, F and G of Part 3 of MLAR section L, Senior is the value of securitisation *tranches* that have *credit quality step* 1 (see the appropriate standardised approach table at http://www.fca.org.uk/your-fca/documents/fsa-ecais-securitisation), Equity is the value of securitisation *tranches* that have *credit quality step* 4, 5 or 'all other credit assessments' and Mezzanine is the value of securitisation *tranches* that are not Senior or Equity tranches. Purely for the purposes of completing columns E, F and G all unrated securitisation tranches should be classified as equity tranches.

Column H
This is the total credit risk capital requirement for the assets that are included in the securitisation programme but before the effect of the securitisation. The value reported in this column should be based on all assets included in the securitisation programme even though a firm will subsequently retain only a portion of the securitisation.

Column J
This is the total credit risk capital requirement for the securitisation programme that has been retained by a *firm* based on the credit risk weights in *MIPRU* 4.2B

Column K
This is the total significant risk transfer add-on that should be added to the capital requirement for the securitisation programme.

Column L
This is the total credit risk capital requirement for the securitisation programme. This should be the sum of columns J and K for each securitisation programme.

16L Total capital requirement after securitisation
This is the total capital requirement for securitisation positions originated by a firm. This should equal the value reported in 5E.

SECTION M: LIQUIDITY

INTRODUCTION

The purpose of this *data item* is for a *firm* to confirm that it complies with the liquidity resources requirements in *MIPRU* 4.2D.

This *data item* is only relevant to a *firm* that does not have a restriction on its *Part 4A permission* that prevents it from undertaking new *home financing* or *home finance administration* (with mortgage assets on balance sheet) connected to *regulated mortgage contracts*.

In relation to the questions in *MLAR* Section M Liquidity Questionnaire (with the exception of question 2), a *firm* should, as appropriate, answer "yes", "no", or "not applicable" For those questions where the answer is "no" or "not applicable" a *firm* must explain why in column B.

Part 1 – Adequacy of liquidity resources

Question 1 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.2R and *MIPRU* 4.2D.3G. If a *firm* answers "no" or "not applicable", it should explain why in column B and the *firm* does not need to complete the rest of *MLAR* Section M.

Question 2 – In deciding on the amount of liquid resources that a *firm* holds or is able to generate a *firm* should have regard to *MIPRU* 4.2D.3G. The figure should be entered in 000's.

Part 2 – Systems and controls

Question 3 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.4R and *MIPRU* 4.2.D.5R.

Please note that Part 5 of *MLAR* Section M covers senior management oversight separately.

Part 3 – Stress testing

Question 4 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.8R, *MIPRU* 4.2D.10R and *MIPRU* 4.2D.11G.

Question 5 – In answering this question a firm should have regard to *MIPRU* 4.2D.8R, *MIPRU* 4.2D.9R(1) and (2), *MIPRU* 4.2D.10R and *MIPRU* 4.2D.11G.

Question 6 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.9R(1) and (2).

Question 7 - In answering this question a *firm* should have regard to *MIPRU* 4.2D.9R(3).

Part 4 – Contingency funding plans

Question 8 - In answering this question a *firm* should have regard to *MIPRU* 4.2D.13R.

Question 9 - In answering this question a *firm* should have regard to *MIPRU* 4.2D.13R(2)(a).

Part 5 – Senior management oversight

Question 10 - In answering this question a *firm* should have regard to *MIPRU* 4.2D.6R.

Question 11 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.7R.

Question 12 – In answering this question a *firm* should have regard to *MIPRU* 4.2D.10R, *MIPRU* 4.2D.13R and *MIPRU* 4.2D.14R.

Financial Conduct Authority

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