

Bank of England PRA

Industry Roundtable

CP7/25

Matching Adjustment

Investment Accelerator

13 May 2025



Introduction

- Consultation paper (CP) 7/25 – Matching Adjustment Investment Accelerator was published on 8 April.
- Today we aim to give attendees the opportunity to share initial observations on the proposals and seek clarifications in an open forum in advance of making written submissions. This does not, however, replace formal written feedback.
- The deadline to provide feedback to CP7/25 is **4 June 2025**.
- The PRA will publish a summary of this discussion on the PRA website but names of individual firms who have attended will be omitted.
- Full details of the proposals are set out in CP7/25 and it is assumed that attendees have familiarised themselves with this material prior to the round table.

Structure of discussion

- PRA's introduction of proposals
- Key benefits for firms
- Key areas of the proposal including questions submitted
 - The MAIA permissions process
 - Controls on the use of MAIA permissions
 - Implementing and maintaining a MAIA policy
 - MAIA contingency plans
 - MAIA exposure limits
 - Time limit
 - Breaches of MAIA permissions
 - Reporting of use of MAIA permissions
- Residual questions

Overview of proposals

- The PRA's proposal is to introduce a MAIA permission process and operational framework.
- A firm with MAIA permission would be able to add assets to its MA portfolio that do not possess the same features as those included in its most recent MA permission, without first seeking a variation.
- The policy proposals would:
 - introduce a MAIA permissions framework;
 - place controls on firms' use of an MA permission in accordance with the MAIA rules, including making a rule for firms to have a MAIA policy; and
 - make a rule introducing a new annual reporting for firms using the MAIA to provide a use report for MAIA permissions and update the MALIR reporting template and the related instructions.

Key benefits for firms of the proposals

- The PRA considers that the MAIA proposal, while introducing new risks relative to the current position, would continue to advance its primary objectives and advance its SCGO and secondary competition objective.
- In particular, the proposal is expected to benefit firms and the wider economy by potentially **increasing investment opportunities** and providing firms with a **quicker route to investment** than the PRA's current MA policy.
- Feedback from the SEG indicated that the MA permission process (as it was prior to PS10/24) often limited firms' ability to invest in certain assets due to the length of the PRA application process being longer than the investment window.
- As part of the reforms made in PS10/24 the PRA set up a dedicated team to assess MA applications which has resulted in reductions in decision times for MA permission applications. Nevertheless, the need for permission prior to adding assets with new features to the MA portfolio can result in processes taking longer than the window available for an investment opportunity.
- The proposed changes could offer greater ability for firms to **take advantage of the reforms made in PS10/24** to expand the range of investments that can be included in MA portfolios.
- The PRA also expect the proposed changes will **benefit firms' process interaction with the PRA.**

The MAIA permissions process

- New permission process for new MAIA permissions (separate to MA permissions)
- The PRA has sought to make the proposed permissions process straightforward:
 - Limited information requested for applications
 - Delegated authority to approve MAIA applications
 - Review process not expected to be lengthy
- To appropriately limit prudential risks, PRA assessment of applications would be informed by consideration of a firm's ability to appropriately use a MAIA permission.
- MAIA permissions, once received, would be varied in line with variations of MA permissions – to ensure that exposure limits continue to reflect the size of the MA portfolio over time.
- CP includes proposed policy materials:
 - SoP (extended to include MAIA framework)
 - MAIA supplementary information form
 - Updates to MA supplementary information form

Controls on the use of MAIA permissions

- Where possible, the PRA has sought to make use of existing controls within the MA framework
- Given new risks of MAIA permissions, the PRA has also proposed the introduction of new controls, including:
 - a rule requiring firms applying for MAIA permission to establish suitable procedures and controls, including:
 - maintaining a **MAIA policy**; and
 - **contingency plans** for each MAIA asset
 - an **exposure limit** for assets in the MAIA; and
 - a **time limit of 24 months** to regularise MAIA assets through the submission of an application for variation of MA permission.

The MAIA policy

- The PRA proposes making a rule that firms with a MAIA permission must implement and maintain a **MAIA policy**.
- The PRA considers that its proposed expectations in relation to MAIA policies will **support firms** in their use of the MAIA permission while **mitigating the risks** introduced by the proposed MAIA framework.
- To assist firms seeking to establish effective MAIA policies, the PRA proposes expectations in SS7/18. These include that MAIA policies should cover aspects of **risk mitigation** (e.g. ensuring only eligible assets are included in MA portfolios using MAIA permissions) and **operational aspects of MAIA use** (e.g. regularising MAIA assets)

MAIA contingency plans

- The PRA proposes to introduce a rule that firms using a MAIA permission must establish **effective written contingency plans** for each MAIA asset. These plans should cover actions that would be taken in response to a MAIA asset **needing to be removed from the MA portfolio**, and should ensure that wider MA compliance is maintained.
- The PRA has proposed expectations that, owing to the associated uncertainties, reliance should not be placed on **sale of MAIA assets in the short to medium term** in the contingency plans.
- The PRA proposes that contingency plans be **kept up to date over time**.

MAIA exposure limits

- The PRA proposes that an exposure limit would be placed on the amount of assets that can be in a firm's MA portfolio using the MAIA permission at any point in time. This exposure limit would be based on the size of a firm's MA portfolio
- The PRA proposes to introduce a rule (15.4) that *“A firm must comply with the terms of its MAIA permission, including any applicable MAIA exposure limit, at all times”*
- The PRA proposes that in general, an appropriate MAIA exposure limit would be the lower of:
 - 5% of the best estimate liabilities of the MA portfolio at the point of the most recent application (net of reinsurance as set out in paragraph 10.22 of SS7/18); and
 - An amount proposed by the firm which is no greater than £2 billion.”
- Where applications are approved relevant assets would subsequently be covered by the firm's MA permission and therefore no longer count towards the MAIA exposure limit.

MAIA time limits

- The PRA proposes that a firm using its MAIA permission would need to submit to the PRA an application to vary the scope of its MA permission to ‘regularise’ MAIA assets within 24 months of their inclusion in the MA portfolio.
- The PRA proposes to introduce a rule (16.2) that states:
 - *“Before the end of the period of 24 months, beginning with the date upon which the firm first includes a new asset in its relevant portfolio of assets, a firm must either:*
 - *(1) submit an application to the PRA in accordance with 3.1 to vary its matching adjustment permission in order to alter its scope to include that new asset; or*
 - *(2) take the necessary measures to remove that new asset from its relevant portfolio of assets as soon as possible.”*

Breaches of MAIA permissions

- **Breach Conditions:** Non-compliance with MAIA rules in the MA Part of the PRA Rulebook, including:
 - MA eligibility conditions
 - MAIA exposure limits
 - MAIA regularisation timescales
- **Consequence:** If not rectified within two months, the MA benefit claim will be reduced.
- **Consistency:** Aligns with the current MA Part of the PRA Rulebook, which allows two months to remedy breaches of MA eligibility conditions. Failure to remedy will result in MA reduction per Matching Adjustment 13.5.
- **Other Breaches:** For other breaches of the MAIA permission:
 - Firms are expected to promptly re-establish compliance.
 - The PRA will consider if the breach indicates wider risk management failures.
- **MAIA Asset Inclusion:** If MAIA assets in the MA portfolio are not MA eligible:
 - The PRA will initially address this through supervisory engagement.
 - Consistent inappropriate use or significant breaches may lead to removal or vary the scope of the MAIA permission to advance the PRA's objectives.

Reporting of use of MAIA permissions

- The PRA proposes making a rule to introduce an **annual MAIA use report**, and to **amend the existing MALIR reporting**.
- The PRA considers that the MAIA use report would support firms' internal operations and governance by including an assessment of the effectiveness of eligibility assessments of MAIA assets and identifying potential areas of risk management weakness.
- The PRA proposes to add two additional fields to the MALIR reporting template: (i) whether the assets placed in the MA portfolios use a MAIA permission, and (ii) the date that assets are included in the MAIA.
- The purpose of these changes is to identify (i) which assets are placed in MA portfolios using a MAIA permission, and (ii) those for which an MA application has not been made in the required timeframe.
- Without this data the PRA would be unable to monitor whether MAIA permissions are being appropriately used, plan for regularisation MA applications, or assess the impact of introducing MAIA permissions.

Residual questions?

This consultation period closes on **Wednesday 4 June 2025**.

Please address any comments or enquiries to **CP7_25@bankofengland.co.uk**.

