

Summary

CP7/25 Matching Adjustment Investment Accelerator Industry Roundtable

Agenda Item

Item 1: Context and Introduction

Item 2: Questions and Answers

Item 3: Next Steps

Summary of meeting: The roundtable provided stakeholders with an opportunity to share initial observations on the proposals and seek clarifications in an open forum in advance of making written submissions on the consultation paper 7/25 (CP7/25) proposal, the Matching Adjustment Investment Accelerator (MAIA). The meeting was attended by over 20 participants. The PRA reminded attendees that roundtable discussions do not replace formal, written responses, which should be submitted via the official mailbox CP7_25@bankofengland.co.uk by 4 June 2025.

The PRA representatives shared prepared slides whose purpose was to structure the question-and-answer session according to the key themes related to the proposal.

These were:

- MAIA policy;
- proposed controls related to policy (contingency plan, exposure limit, time limit);
- breaches; and
- reporting requirements.

Questions submitted ahead of the meeting were addressed during the meeting. Some of the key points discussed included:

The definition of 'internally restructured': The PRA confirmed that there is one definition for the Matching Adjustment Asset and Liability Information Report (MALIR) classification (2.25), which is intended to remain consistent across MA policy materials.

Risk management expectations for MAIA assets: Firms must ensure that only assets they consider MA eligible are included in their portfolios. This eligibility assessment should factor in the Prudent Person Principle (PPP), which is a condition for MA eligibility.

Whether highly predictable assets could be included in MA portfolio using a MAIA permission: The PRA clarified that the proposed framework applies equally to fixed and highly predictable assets. Firms should consider their appetite for assets where the MA eligibility assessment has a high degree of uncertainty.

Question and Answer

The questions raised by attendees during the meeting and the PRA responses have been grouped according to the themes discussed during the presentation:

MAIA policy

Question 1: Would the PRA be open to considering a revision to the proposed new wording in paragraph 10.8 of SS7/18, given concerns that the list of asset features deemed inappropriate for the MA may be overly prescriptive and could unintentionally exclude a broad range of assets insurers might reasonably consider for MA eligibility?

The PRA is open to receiving feedback on the policy drafting as part of the consultation process and will take it into account when finalising the policy materials. Regarding the proposed expectation in paragraph 10.8, the MAIA policy has been developed with careful consideration. As MA eligibility assessments become more complex, there is an unavoidable increase in risk that issues may arise in the future, and the PRA wanted to give as much clarity to firms as possible on our expectations of appropriate MAIA use.

Question 2: Will assets added to the Matching Adjustment Portfolio (MAP) under a MAIA permission receive the same regulatory treatment as those explicitly approved by the PRA? Additionally, in SS8/18, the proposed expectation for the MA calculation in internal models seems more onerous for assets with a MAIA permission compared to those with explicit MA approval. Was this an intentional decision by the PRA?

The PRA confirmed that all assets within the Matching Adjustment Portfolio (MAP), regardless of whether they have been added through MAIA permission or explicit MA approval, will receive the same regulatory treatment.

Internal models must allow for all material and quantifiable risks. As MAIA assets will have new features relative to assets already within scope of MA permissions, it is possible that those new features give rise to risks previously absent from the model. The wording proposed in SS8/18 outlines an expectation these risks should be appropriately reflected in the SCR where necessary (i.e. where those are material and quantifiable). While this may result in some differences in treatment, the PRA does not anticipate a systematic difference between assets added via MAIA permission compared to those with explicit MA permission, noting in particular the proposed application of an exposure limit for MAIA permissions and the controls around the MAIA which would act to limit the materiality of new risks.

Question 3: The proposed wording regarding MAIA exposure limits where the insurer does not retain investment control could create challenges for internal reinsurance arrangements, particularly when a cedant reinsures from one MAP to another. For operational efficiency, excluding MAIA assets from the risk management process could help reduce complexity.

The PRA encourages feedback on any potential complexities as part of responses to CP7/25 and welcomes suggestions for redrafting.

Question 4: Does the PRA's statement in PS10/24, which indicates no intention for the 2024 MA reforms to extend the circumstances in which a variation of an existing MA permission would be required, also apply to the MAIA framework (i.e. if the MAIA framework is introduced, would the PRA continue to operate 'same features' assessments as it does currently)?

The PRA has set expectations in SS7/18 regarding 'same features' assessments, which are not proposed to change under the MAIA consultation. The Matching Adjustment Permissions Statement of Policy (SoP)¹ also covers 'same features' assessments, and this material is not proposed to change as a result of the MAIA framework.

This means the PRA would expect firms to operate their 'same features' assessments in the same way, should they receive MAIA permission under the proposed framework.

The introduction of MAIA permission is designed to give firms greater flexibility in timing and bundling applications, and is not intended to necessarily increase the number of MA applications a firm would need to submit. In line with the SoP, the PRA encourages firms to engage early with their PRA Supervision teams regarding their MA application plans and expected timelines.

The PRA also notes that, following the introduction of the proposed MAIA framework, the MA application process would be expected to become less speculative, as firms would have more direct experience of the types of assets for which they are seeking permission. Applications to date have tended to rely on hypothetical assets or investment plans.

¹ CP7/25 proposes renaming the Matching Adjustment SoP to 'Matching Adjustment Permissions and Matching Adjustment Investment Accelerator Permissions' to reflect the introduction of the MAIA framework.

Furthermore, having direct experience of such assets may help firms in developing any related internal model change applications. This could offer further potential efficiency benefits for firms.

Question 5: CP7/25 does not explicitly mention the MA attestation. Was there a specific reason for this not being mentioned? Do assets included in the MAP using a MAIA permission fall within the scope of the MA attestation? If so, will the attestation requirements remain unchanged i.e. requiring the attestor to confirm that the MA can be earned with a high degree of confidence from the assets in the portfolio and that the fundamental spreads applied to MA assets provide compensation for all retained risks?

The PRA expects the attestation requirements to remain unchanged for assets placed in the MAP using a MAIA permission. This is because the scope of eligible assets is not changing, only the mechanism for placing them within the MAP.

This answer raised a further question regarding the requirement for a high degree of confidence, particularly in cases where firms do not have full control over whether an asset will be eligible when an application is made to the PRA. This raises the question of whether there is a risk that an asset could become ineligible which would need to be taken into account when making the attestation in respect of such assets.

The PRA asked for this to be put in writing in response to the CP, so that the PRA could consider this in the Policy Statement (PS).

Contingency plan

Question 6: Did the contingency plan proposal consider highly predictable assets that are relatively liquid, where selling them on the secondary market could be a credible contingency plan, given that they were originally brought on the secondary market? Or was the proposal framed from the perspective of non-traded assets?

The PRA considered two key aspects when formulating the proposed contingency plan. Firstly, mitigating the risk of poor outcomes due to the need to remove assets from the MA portfolio. Secondly, aligning to industry commitments to provide long term funding to specific types of projects that align with the intended use of the MAIA.

In this context the PRA proposed that a sale should not be considered as an option within the contingency plan. As outlined in paragraph 10.10 of SS7/18, the PRA's expectation is that firms should not rely on asset sale within the contingency plans in

the short to medium term, meaning it should not be the first course of action a firm takes.

Additionally, the PRA has proposed not to issue detailed templates or forms for the contingency plan, as contingency planning should be embedded within a firm's risk management process. Given that firms may have different approaches towards a contingency plan, this flexibility allows for tailored risk management practices.

There was discussion of some examples of alternative contingency plan actions that may be considered, including internally restructuring the asset or to hold the asset outside the MAP.

Time Limits

Question 7: Does the 24-month regularisation period refer to the deadline for submitting the Application Readiness Assessment Process (ARAP), or is it deadline by which the full application must be submitted?

The PRA confirmed that the 24-month proposal for regularisation is when an application is submitted and that firms were expected to engage with the PRA and undergo the ARAP process within the 24-month timeframe.

Next Steps

The PRA reminded attendees that this session does not substitute the requirement for formal, written responses. These should be submitted to CP7_25@bankofengland.co.uk by 4 June 2025.

The PRA then closed the meeting.