FINANCIAL CONDUCT AUTHORITY

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

FCA and PRA changes to mortgage reporting requirements

Consultation Paper
FCA – CP18/41**
PRA – CP30/18

December 2018

How to respond

We are asking for comments on this Consultation Paper (CP) by 22 March 2019.

You can send them to us using the form on our website at: www.fca.org.uk/cp18-41-response-form

Or in writing to:
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1 Summary

In this joint Consultation Paper (CP), the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) set out proposals for new reporting requirements that would apply to mortgage lenders[1] and home finance administrators.[2 3] The CP contains proposals made solely by the FCA in relation to our objectives as well as joint proposals that are given effect through a combination of PRA and FCA rules. To make the proposed requirements clear for firms, the proposals are presented under the relevant reporting return or template. The respective FCA and PRA rule instruments, cost benefit analysis and statutory undertakings are set out separately in the annexes and appendices.

Why we are consulting

1.1 Home finance lenders and administrators are required to submit regular reports to the FCA. These include aggregated data, such as that reported in the Mortgage Lending and Administration Return (MLAR), and data on individual products, such as that reported in Product Sales Data (PSD). These data support the FCA in meeting our operational objectives by allowing us to identify and address potential harm to consumers as part of on-going firm supervision. They also support wider thematic work and competition studies, for example the recently published Mortgage Market Study (MMS).

1.2 The FCA also shares these data with the Bank of England (the Bank) and the PRA. The Bank and the PRA use these data to monitor macro-prudential risk in the housing market, including informing the considerations of the Financial Policy Committee (FPC). The PRA also uses these data to support firm supervision.

1.3 The PRA and the FCA have identified a number of areas where we believe further data are needed from firms. This CP seeks to address those gaps by setting out proposals to increase the data mortgage lenders and administrators are required to submit via PSD and MLAR.

1.4 We appreciate that changes to reporting systems can be costly for firms. We are making every effort to limit the frequency of changes to MLAR and PSD. This is why the FCA and PRA are consulting on these proposals as a package.

1 Firms with permission to enter into regulated mortgage contracts.
2 Firms with permission to administer regulated mortgage contracts.
3 Where the CP is discussing MLAR the proposals will apply to all home finance administrators, all other proposals apply to mortgage administrators only.

Who this applies to

1.5 This consultation will be directly relevant to:

- mortgage lenders
- home finance administrators
- entities which own mortgage books but which are not authorised to lend

1.6 This consultation will also be relevant to stakeholders with an interest in the mortgage and home finance market, including:

- trade bodies representing home finance firms
- charities and other organisations

1.7 The proposals set out in this CP relate to the information that we collect from certain regulated firms. It is unlikely to be of direct interest to consumers.

The wider context of this consultation

1.8 The FCA's recently published MMS Interim Report identified segments of the mortgage market where the regulators do not currently collect data though PSD. These are sales data about internal product transfers and performance data about mortgage books that have been sold to unregulated entities. The FCA believes that without these data, our ability to understand possible conduct and competition harms in the mortgage market is limited. The Interim Report stated that the FCA would consider consulting on collecting this information in the coming months.

1.9 The PRA and FCA have also identified gaps in PSD that affect our ability to monitor the FPC's Loan to Income (LTI) flow limit recommendation, and the FPC's affordability test Recommendation. These gaps limit the PRA's ability to assess possible risks in the mortgage market without making ad hoc data requests to firms. They also limit the FCA and PRA's ability to supervise against those recommendations.

1.10 The FCA has also identified gaps and inconsistencies in the forms and guidance in MLAR relating to mortgages sold to third parties or securitised, and second charge mortgages. These gaps and inconsistencies make it more difficult for firms to meet their reporting obligations. The gaps also limit the FCA's ability to understand the data we receive, and so monitor conduct risks consistently.

What we want to change

1.11 The FCA and PRA are proposing to amend home finance reporting requirements to address the gaps and problems we have identified so that:

- Mortgage administrators submit PSD performance reports on mortgages owned by entities which are not authorised home finance lenders.[4]
- Mortgage lenders
  - submit PSD sales reports on internal product transfers and further advances.
  - submit PSD sales reports containing information on any other outstanding debt secured on the property with the same lender at the point a loan is first made.
  - submit PSD sales reports on second charge mortgages containing information on any other outstanding debt secured on the property with other lenders at the point a new loan is made.
  - submit PSD sales reports containing information on the contractual reversion rate offered.
- Second charge administrators submit an additional form in MLAR on the number and value of loans they administer.
- Home finance administrators have more clarity regarding their requirements to submit data in MLAR on mortgages sold on.

1.12 The proposed changes are set out in the draft instrument in Appendix 1. We will endeavour to publish the eXtensible Markup Language (XML) schema and full data definition either alongside, or shortly after, publication of the Policy Statement to allow firms sufficient development time before the first submission is due to be made.

Next steps

What do you need to do next?

1.13 We want to know what you think about the proposals in this paper. Please send your comments by 22 March 2019 to cp18-41@fca.org.uk.

What will we do?

1.14 We will consider your feedback and publish rules in a joint Policy Statement in mid 2019.

1.15 We plan to offer firms an implementation period of a year following that publication.

4 PSD performance reports are not required for other forms of home finance beyond regulated mortgage contracts.

2 Product sales data: performance reports (PSD007)

The FCA proposes to require mortgage administrators to submit PSD performance reports on mortgages owned by entities which are not authorised home finance lenders.

Why are we proposing this?

2.1 Some mortgage books are sold to firms that are not authorised to conduct mortgage business. This can arise, for example, where a lender's business model involves originating mortgages and later selling them on to investors. The MMS estimated that there are 260,000 accounts in mortgage books owned by firms that are not themselves authorised for lending. We expect this number to increase as lenders continue to sell on mortgage books and the sale of assets of lenders that failed during the financial crisis continues.

2.2 We do not currently receive loan-level data about how these mortgages are performing, as we do for other loans. This is because it is the authorised lender which is required to submit reports on the performance of the individual loan, not the administrator.

2.3 We believe that it is important to receive performance data on these mortgages so that we can identify any potential consumer harm. This is especially significant given that the MMS estimated that around 120,000 of the borrowers in these books would benefit from switching to a lower-cost mortgage, and another 20,000 are in arrears.

2.4 The data could help us identify the following potential harms:

- Customers being charged abnormally high interest rates on their mortgage given the rates charged on similar products elsewhere.
- Customers who have high interest rates on their mortgage and are unable to switch products.
- Customers not being offered appropriate forbearance when in arrears.
- Customers not obtaining fair sale prices for their property when it is repossessed.

2.5 We are proposing to require the administrators of these mortgages to submit PSD performance reports every 6 months.

Q1: Do you agree with the FCA proposal to require mortgage administrators to submit PSD performance reports on mortgages owned by entities which are not authorised home finance lenders? If not, what amendments would you suggest?

What do mortgage administrators need to know?

2.6 We propose to require administrators to submit the current PSD performance report on the relevant mortgages, as is laid out in the Supervision Manual (SUP) 16 Annex 21R.

2.7 We propose to amend SUP 16.11.1R to clarify that:

- The firm that entered the regulated mortgage contract will be responsible for reporting PSD.
- Or, where the right of the lender to receive payments under the regulated mortgage contract has passed to another person (for example, where the mortgage has been sold or securitised), the administrator will be responsible for reporting PSD. To ensure consistency with MLAR, where there is a principal administrator, it will be the principal administrator that will be responsible for submitting PSD.

Q2: Do you agree with the FCA proposal to amend SUP 16.11.1R as per paragraph 2.7? If you do not agree with the proposal, what other amendments would you suggest?

2.8 We would like to capture information in the performance report so that we know more about who owns the account and whether it is in a closed book (ie held by a firm not actively lending to new or existing borrowers). We propose to amend the Handbook form to add fields asking:

- If owned by an authorised firm, the FRN of that firm.
- If owned by an entity which is not authorised, the legal name of that entity.
- Whether the account is part of a closed book.

Q3: Do you agree with the FCA proposal to add these fields to the PSD performance report? If not, what amendments would you suggest?

2.9 We propose that, where firms with a mortgage administration permission do not administer mortgages owned by unregulated entities, and they are not otherwise required to submit PSD performance reports (eg administrators which are not lenders), they should submit nil returns. This is consistent with the approach for sales reports. This will allow us to identify which firms administer the relevant loans.

Q4: Do you agree with the FCA proposal that mortgage administrators submit nil returns where they do not administer any relevant mortgages? If not, what amendments would you suggest?

3 Product sales data: sales reports (PSD001)

The FCA proposes to require mortgage lenders to submit PSD sales reports on internal product transfers.

Why are we proposing this?

3.1 As set out in the MMS, the mortgage market has developed so that approximately 42% of mortgage sales are now internal product transfers. An internal product transfer is where a customer remains with their existing lender but switches products to obtain a different, normally lower, interest rate (with no additional borrowing). This typically follows the expiry of the introductory deal period.

3.2 Lenders are not currently required to report PSD to us on internal product transfers. PSD tells us important information about the nature of the sale. For example, whether the sale is advised, which firm sold the product, and the fees and charges associated with the product. Receiving these data on internal transfers could help us to identify the following potential harms:

- Customers being charged relatively high fees to switch internally.
- Customers not switching to a better deal quickly.
- Customers paying more in the long-term as fees and charges are being added to the loan.

3.3 Having the data will also allow us to understand the structure of the market, compare sales practices and monitor lenders' sales strategies. This is important as it will help us develop an informed view about potential consumer harm.

Q5: Do you agree with the FCA proposal to require mortgage lenders to submit PSD sales reports on internal product transfers? If not, what amendments would you suggest?

What do mortgage lenders need to know?

3.4 We propose to require lenders to submit the PSD sales report, as laid out in SUP 16 Annex 21R, on internal product transfers.

3.5 We also propose the following amendments to the PSD report to capture data on internal product transfers:

- Amend the 'date mortgage account opened' field so that a firm must report on the date of the internal product transfer, and make clear that this should be the date the rate change or product switch takes effect.
- Add a field to ask for the date of the previous product change for internal product transfers (the same field would also capture other internal remortgages and further advances).

- Add a field to ask for the original transaction reference for internal product transfers (the same field would also capture other internal remortgages and further advances).
- Add a drop-down option under 'type of mortgage' to flag internal product transfers, defined as where a customer internally transfers to a new product to obtain a different interest rate, with no additional borrowing, whether or not this involves a new contract.
- Add guidance that for product transfers 'borrower type' should be reported as 'remortgagor', even when the change is only a contract variation.
- Add guidance that when reporting on the term of the mortgage and size of the loan, the lender should report the term or balance outstanding at the point of transfer.
- Add guidance on fields on the customer's credit history and affordability data, to make clear that these fields must be completed if known.
- Add guidance on how to report the 'type of valuation at origination of mortgage' and 'is the dwelling new?' field.

Q6: Do you agree with the FCA proposals to add fields, drop-down options and guidance to the sales report to adapt for internal product transfer reporting? If not, what amendments would you suggest?

The PRA and FCA propose to require mortgage lenders to submit PSD sales reports on further advances.

Why are we proposing this?

3.6 The PRA proposes to require PRA-authorised mortgage lenders to report transactional level sales data on further advance mortgages (where a firm commits to lend an additional amount to an existing mortgage borrower of the firm, which is secured on the same property – in this paper we refer to this as 'further advances'). This will improve the PRA's ability to monitor firms' exposure to this sector and to cooperate with the FPC to ensure that its housing policies are operating in the way intended. These data will also contribute to promoting the safety and soundness of firms and support macroprudential risk assessment, in particular the FPC's assessment of pockets of risk in the economy resulting from high household indebtedness.

3.7 The FPC is charged with acting to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system. The FPC has 2 sets of powers – powers of direction and power of recommendation. The FPC can make recommendations to anyone to reduce risks to financial stability, including the PRA and FCA. The FPC may also direct the PRA and FCA to set loan-to-value (LTV) and debt-to-income (DTI) limits for UK mortgages on owner-occupied properties, and set LTV and interest cover ratio (ICR) limits for UK mortgages on buy-to-let properties. A DTI limit can be defined to take into account both mortgage and non-mortgage debt.

3.8 In June 2014, the FPC recommended that the PRA and the FCA 'should ensure that mortgage lenders do not extend more than 15% of their total number of new residential mortgages at Loan to Income (LTI) ratios at or greater than 4.5' (the 'LTI flow limit'). The LTI flow limit is a macroprudential measure, calibrated by the FPC on its view of the outlook for the housing and mortgage market. It applies to regulated mortgage debt only.

3.9 The LTI flow limit addresses a common risk to which many PRA and FCA firms are exposed, namely macroprudential risks arising from the high LTI elements of mortgage lending carried out by firms. The primary purpose of the FPC's recommendation is to insure against a significant rise in the number of highly indebted households and a marked loosening in mortgage underwriting standards. These could be a threat to the wider economy and so in turn threaten the safety and soundness of firms.

3.10 The PRA uses data from PSD to determine (i) whether a firm is continually below the de minimis threshold at which the LTI flow limit applies[5] and (ii) whether a firm has complied with the LTI flow limit. Further advances are excluded from the LTI flow limit as they are not subject to PSD reporting.

3.11 Further advances are also subject to the FPC's affordability test recommendation (the 'affordability test'). The affordability test specifies that lenders should assess whether borrowers could still afford their mortgage if, at any point over the first 5 years of the loan, their mortgage rate were to be 3 percentage points higher than the reversion rate given in the mortgage contract at origination. Collecting sales data for further advances would allow the PRA to better assess whether the affordability test is being followed for further advances, and contribute to the FPC's assessment of whether the recommendation remains appropriate.

3.12 The PRA proposes to require PRA-authorised mortgage lenders to submit sales reports on further advances. The proposed rule is set out in the PRA's draft instrument in Appendix 2.

Q7: Do you agree with the PRA proposal to require PRA-authorised mortgage lenders to submit sales reports on further advances? If not, what amendments would you suggest?

3.13 The PRA expects that providing these data within PSD sales reports will be less burdensome for firms than submitting data through a new collection mechanism or through regular ad hoc requests. On this basis, the PRA proposes to require submission of the data to the FCA, and the FCA proposes a related rule that would require firms that submit the data to do so as part of the PSD sales report.

3.14 This will allow firms to use existing reporting forms and systems to submit the data.[6] The FCA would collect these data from PRA-authorised lenders on behalf of the PRA.[7] The FCA considers that this will support the PRA in assessing risk from household indebtedness and judging whether firms are adhering to the affordability test. The FCA

5 See the Housing Part of the PRA rulebook, section 1.

6 The requirement to submit the data is set out in the PRA rule, the FCA rule deals only with the format of the submission.

7 Section 3R of FSMA permits the FCA and the PRA to enter into arrangements for the FCA to supply services to the PRA.

wishes to support the PRA in monitoring risks to the financial system, where doing so is compatible with our operational objectives.[8]

3.15 The FCA believes that collecting further advance data from PRA-authorised firms will further our ability to identify and monitor harm in the mortgage market. This is both from a market integrity perspective, in understanding how the limit is addressing macro-prudential risk, but also from a consumer protection perspective. Having the data would enable the FCA to identify and monitor potential harm during the sale of further advances.[9] Overall the regulators believe that the combined proposals support both their objectives, and do so in the most efficient way available.

Q8: Do you agree with the FCA proposal to require PRA-authorised firms that will be subject to the PRA requirement to submit sales reports on further advances, to do so via PSD? If not, what amendments would you suggest?

3.16 The FCA also proposes to collect the PSD sales data report on further advances from FCA-authorised mortgage lenders.

3.17 The proposal would also allow the FCA to better identify harm occurring during the sales of further advances. This includes harm occurring as a result of lenders disregarding the affordability test, as required by Mortgages and Home Finance: Conduct of Business sourcebook (MCOB) 11.6.18R.

3.18 Along with our proposal to include product transfers in PSD001, the proposal will help the FCA build a more holistic picture of the market and compare sales practices across the full market of products. This furthers the FCA's ability to supervise in an informed manner.

Q9: Do you agree with the FCA proposal to require FCA-authorised mortgage lenders to submit PSD sales reports on further advances? If not, what amendments would you suggest?

What do mortgage lenders need to know?

3.19 We propose to require mortgage lenders to submit the PSD sales report, as laid out in SUP 16 Annex 21R, on further advances. We propose the following amendments to the report:

- Add 2 drop-down options under 'type of mortgage' to identify further advances, defined as a further loan to an existing borrower of the firm, secured on the same property. Further advances given effect through a contract variation and further advances given effect through a new regulated mortgage contract should be reported separately.
- Add guidance that for further advances the 'borrower type' should be reported as 'other'.
- Add a field to ask for the date of the previous product change for further advances (the same field would also capture internal product transfers and other internal remortgages).

8 Under Section 3Q of FSMA, the FCA is required to 'take such steps as it considers appropriate to co-operate with the Bank...in connection with [its] pursuits of its Financial Stability Objective'.

9 The FCA will pass the data on to the PRA, but the PRA would allow the FCA to retain the data for its own purposes.

- Add a field to ask for the original transaction reference for further advances (the same field would also capture internal product transfers and other internal remortgages).

- Amend 'the purpose of second charge regulated mortgage contract or extra money withdrawn for remortgages' field to include further advance.

Q10: Do you agree with the FCA proposals to amend drop-down options and guidance to the sales report to adapt for further advance reporting? If not, what amendments would you suggest?

3.20 The PRA will supervise the submission of the data by PRA-authorised mortgage lenders. The FCA will supervise the submission of the data by FCA-authorised mortgage lenders.

The PRA and FCA propose to require mortgage lenders to submit 3 more data fields in PSD sales reports:

Why are we proposing this?

3.21 The PRA proposes to require PRA-authorised mortgage lenders to report the following fields in PSD sales reports.

- Outstanding regulated mortgage debt with the same lender on the same property.

- Outstanding regulated mortgage debt with other lenders on the same property (for second charge mortgages only).

- Contractual reversion rate offered at point of sale.

3.22 These data will improve the PRA's ability to monitor PRA-authorised firms' exposure in respect of these products and their compliance with the FPC's housing policies and to contribute to the FPC's monitoring of pockets of macroprudential risk in the economy. The rationale for each field is set out below.

Other outstanding regulated mortgage debt with the same lender

3.23 This additional data will enable the PRA to assess risk at the borrower level by considering borrower-level indebtedness, rather than viewing individual loans from the same lender in isolation.

Outstanding regulated mortgage debt with other lenders

3.24 Second charge mortgages were excluded from the LTI flow limit in June 2014 because they were not an FCA regulated product at the time and were not subject to FCA reporting requirements.

3.25 Second charge mortgage contracts are now recorded on a standalone basis in PSD, following the Mortgage Credit Directive (see PS 15/09 for more information). However, the PSD sales report does not require lenders to report other mortgage debt the borrower already holds under the first legal charge at the point of sale of the second charge mortgage. This data is important to enable the PRA to assess risk at the borrower-level for second charge mortgages.

Contractual reversion rate offered at point of sale

3.26 The affordability test specifies that lenders should assess whether borrowers could still afford their mortgage if, at any point over the first 5 years of the loan, their mortgage rate were to be 3 percentage points higher than the reversion rate specified in the mortgage contract at origination.

3.27 Firms are not currently required to report reversion rates in PSD, only to report the type of reversion rate. This limits the PRA's ability to calculate the stress applied by lenders as part of the affordability test.

3.28 Collecting reversion rate data would allow the PRA to better assess whether the FPC's affordability test is being followed, and contribute to the FPC's assessment of whether the recommendation remains appropriate.

Q11: Do you agree with the PRA proposal to require PRA-authorised home finance lenders to submit the 3 additional fields outlined above? If not, what amendments would you suggest?

3.29 As with data on further advances, the PRA expects that providing these data within PSD sales reports will be less burdensome for firms than submitting data through a new collection, or through regular ad hoc requests. On this basis, the PRA proposes to require submission of the data to the FCA, and the FCA proposes a related rule that would require firms that submit the data to do so as part of the PSD sales report. This will allow firms to use the existing reporting forms and systems to submit the data.[10] The FCA would collect these data from PRA-authorised lenders on behalf of the PRA,[11] which the FCA considers will support the Bank in monitoring overall indebtedness in the market. As with further advances, the FCA wishes to support the PRA and the Bank in monitoring risks to the financial system, where doing so is compatible with our operational objectives.[12]

3.30 The FCA believes that collecting the data from PRA-authorised firms will further our ability to identify and monitor harm in the mortgage market. Having the data will support the FCA in understanding lender's responsible lending practices and how customers structure their debt.[13] This will support the FCA in identifying and addressing any harm arising in those areas. It will also enable the FCA to work alongside the PRA in monitoring the FPC's housing policies and assessment of macroprudential risk.

3.31 The FCA proposes to require PRA-authorised mortgage lenders to submit the current PSD001 sales report with the 3 additional fields containing the information required by the PRA.

Q12: Do you agree with the FCA proposal to require PRA-authorised mortgage lenders to submit the information required by the PRA in PSD sales reports? If not, what amendments would you suggest?

3.32 The FCA is also proposing to require FCA-authorised mortgage lenders to report these data for the reasons outlined below.

10 The requirement to submit the data is set out in the PRA rule, the FCA rule deals only with the format of the submission.

11 Section 3R of FSMA permits the FCA and the PRA to enter into arrangements for the FCA to supply services to the PRA

12 Under Section 3Q of FSMA, the FCA is required to 'take such steps as it considers appropriate to co-operate with the Bank...in connection with [its] pursuits of its Financial Stability Objective'

13 The FCA will pass the data on to the PRA, but the PRA would allow the FCA to retain the data for its own purposes.

Other outstanding regulated mortgage debt with the same lender and with other lenders

3.33 Knowing the outstanding regulated mortgage debt of the customer when they are sold a further advance or second charge mortgage will help the FCA better understand lenders' responsible lending practices. For example, by giving more insight into how lenders are assessing customer debt to ensure that they can afford the mortgage. This will enable us to identify potential harm to customers sooner.

3.34 These data will show us the makeup of the market more clearly in terms of how customers structure their mortgage debt and how it is split across lenders. Second charge lending especially is spread across the population of both PRA-authorised and FCA-authorised firms.

3.35 This will also help the FCA understand how well the LTI flow limit is working across the market and enable the FCA to help inform the FPC housing policies.

Contractual reversion rate offered at point of sale

3.36 These data will enable the FCA to better supervise lenders. MCOB 11.6.18R (2) requires lenders to take into account any prevailing FPC recommendation on appropriate interest-rate stress tests, including the affordability test.

3.37 By receiving the reversion rate directly from lenders, we can accurately monitor whether lenders are taking into account the affordability test.

Q13: Do you agree with the FCA proposal to require FCA-authorised lenders to submit 3 more data fields in PSD sales reports? If not, what amendments would you suggest?

What do mortgage lenders need to know?

3.38 The FCA proposes to add 3 fields to the PSD sales report:

- Outstanding regulated mortgage debt with the same lender on the same property.
- Outstanding regulated mortgage debt with other lenders on the same property (for second charge mortgages only).
- Contractual reversion rate offered at point of sale.

4 Mortgage lending and administration return (MLAR)

The FCA proposes to require second charge administrators to report on the number and value of loans they administer.

Why are we proposing this?

4.1 The FCA began regulating second charge mortgage firms in 2016. In the lead-up to this change, we created a new MLAR form so that second-charge firms were required to report aggregated returns data separately from any first charge reporting. However, one form, asking for the number and value of second charge loans being administered, was omitted. We propose requiring second charge firms to submit this. This will further our ability to monitor the second charge mortgage market and assess potential harms.

Q14: Do you agree with the FCA proposal to require second charge administrators to report on the number and value of loans they administer? If not, what amendments would you suggest?

What do second charge administrators need to know?

4.2 We propose adding the new form, MLA-G1, to the MLAR sub forms in SUP 16 Annex 19AAR. We propose that administrators submit the new form from the date we confirm the new rules (if indeed we do confirm them), but not for past returns.

The FCA and PRA propose to clarify guidance on the reporting of the MLAR

Why are we proposing this?

4.3 The FCA and PRA are proposing some changes to the MLAR forms and guidance to ensure that firms better understand where loans, especially loans sold on or securitised, should be reported. These changes are primarily driven by queries firms have made to the FCA Contact Centre when they have been unsure of how to report the data items.

4.4 The FCA believes that these changes are important given our proposal to collect PSD on loans sold on to unregulated entities. The FCA aims to ensure aggregate data on these loans are also reported accurately and consistently in MLAR. The proposed improvements will further support FCA and PRA supervision.

What do home finance administrators and lenders need to know?

4.5 The FCA and PRA propose to amend the wording in MLA-G and MLA-G1 to ensure it is accurate. Where administrators report the number or value of loans administered for:

- Firms with a mortgage lender's permission, we propose to italicise 'firms' and 'mortgage lender's permission' to reflect that the phrases are FCA glossary terms

- Other types of mortgage owner, we propose to change 'firms' to '*persons*' to reflect that these loans could be owned by entities which are not regulated by the FCA.

- Special Purpose Vehicles, we propose to change the 'SPVs' reference in the forms to 'special purpose vehicles' to reflect the FCA glossary definition

Q15: **Do you agree with the FCA proposal to change the category labels on MLA-G and MLA-G1 in SUP 16 Annex 19AR and 19AAR? If not, what amendments do you suggest?**

Q16: **Do you agree with the PRA proposal to change the category labels on the MLA-G and MLA-G1 templates and add a footnote clarifying that the templates refer to FCA glossary definitions? If not, what amendments do you suggest?**

4.6 The FCA and PRA also propose to amend the guidance in SUP 16 Annex 19B G and the PRA's 'Notes for the completion of the Mortgage Lenders and Administrators Return ('MLAR')' setting out how firms with the home finance administering permission complete MLAR Sections G and H. We propose to amend the guidance to reflect the changes proposed above to the category labels for MLAR G and H. We also propose to make clear that:

- Administrators should report the loans owned by and which they administer, for unauthorised persons.

- Firms with both a mortgage lender's and administrator's permission, with no off-balance sheet loans to administer, should only answer the first question of section G and leave the rest of G and H blank.

- Firms with a mortgage lender's and administrator's permission should not report their on-balance sheet loans in MLAR G and H, those should be reported in section A3 (under 'Securitised balances').

- Firms with a mortgage administrator's permission should report loans as 'Principal administrator' if they are either 1) administering their own off-balance sheet loans 2) administering on behalf of a person (ie a lender or other loan owner) which does not have the administrator permission or 3) if they have entered into a contract to administer, either themselves or on behalf of a person, but have outsourced the administration to another person.

- Firms with a mortgage administrator's permission should report loans as 'Other administrator' if they are administering on behalf of a person (ie a lender or administrator) which also has the mortgage administrator's permission.

4.7 Please refer to the FCA's draft instrument in Appendix 1 and a tracked changes version of the PRA's 'Notes for the completion of the Mortgage Lenders and Administrators Return ('MLAR')' from Supervisory Statement (SS) 34/15 in Appendix 3 for the detail of the proposed amendments.

4.8 For clarity, we have included the table below which lays out examples of how firms should report loans in both MLAR and PSD007, depending on who owns the loan and who has the relevant permissions. For the context of the table:

- Lender: a firm with both entering into and administering permissions
- Third party administrator (TPA): a firm with an administering permission whose business model is to administer mortgages for third parties.
- Buyer: a person with no home finance permissions

Table 1: Reporting requirements example scenarios

Scenario	Who is responsible for reporting PSD007	Who reports MLAR as 'Principal administrator'	Who reports MLAR as 'Other administrator'
Lender owns loan and outsources administration to a TPA	Lender	N/A	TPA
Lender sells loan to buyer and still administers loan	Lender	Lender	N/A
Lender sells loan to buyer who outsources administration to a TPA	TPA	TPA	N/A
Lender x sells loan to lender y who outsources administration to a TPA	Lender y	N/A	TPA

Q17: Do you agree with the FCA proposal to amend the guidance in SUP 16 Annex 19B G to make clear how firms with the administering permission should complete MLAR? If not, what amendments would you suggest?

Q18: Do you agree with the PRA proposal to amend its 'Notes for the completion of the Mortgage Lenders and Administrators Return ('MLAR')' as set out in Appendix 3? If not, what amendments would you suggest?

Annex 1
Questions in this paper

Q1: Do you agree with the FCA proposal to require mortgage administrators to submit PSD performance reports on mortgages owned by entities which are not authorised home finance lenders? If not, what amendments would you suggest?

Q2: Do you agree with the FCA proposal to amend SUP 16.11.1R as per paragraph 2.7? If you do not agree with the proposal, what other amendments would you suggest?

Q3: Do you agree with the FCA proposal to add these fields to the PSD performance report? If not, what amendments would you suggest?

Q4: Do you agree with the FCA proposal that mortgage administrators submit nil returns where they do not administer any relevant mortgages? If not, what amendments would you suggest?

Q5: Do you agree with the FCA proposal to require mortgage lenders to submit PSD sales reports on internal product transfers? If not, what amendments would you suggest?

Q6: Do you agree with the FCA proposals to add fields, drop-down options and guidance to the sales report to adapt for internal product transfer reporting? If not, what amendments would you suggest?

Q7: Do you agree with the PRA proposal to require PRA-authorised mortgage lenders to submit sales reports on further advances? If not, what amendments would you suggest?

Q8: Do you agree with the FCA proposal to require PRA-authorised firms that will be subject to the PRA requirement to submit sales reports on further advances, to do so via PSD? If not, what amendments would you suggest?

Q9: Do you agree with the FCA proposal to require FCA-authorised mortgage lenders to submit PSD sales reports on further advances? If not, what amendments would you suggest?

Q10: **Do you agree with the FCA proposals to amend drop-down options and guidance to the sales report to adapt for further advance reporting? If not, what amendments would you suggest?**

Q11: **Do you agree with the PRA proposal to require PRA-authorised home finance lenders to submit the 3 additional fields outlined above? If not, what amendments would you suggest?**

Q12: **Do you agree with the FCA proposal to require PRA-authorised mortgage lenders to submit the information required by the PRA in PSD sales reports? If not, what amendments would you suggest?**

Q13: **Do you agree with the FCA proposal to require FCA-authorised lenders to submit 3 more data fields in PSD sales reports? If not, what amendments would you suggest?**

Q14: **Do you agree with the FCA proposal to require second charge administrators to report on the number and value of loans they administer? If not, what amendments would you suggest?**

Q15: **Do you agree with the FCA proposal to change the category labels on MLA-G and MLA-G1 in SUP 16 Annex 19AR and 19AAR? If not, what amendments do you suggest?**

Q16: **Do you agree with the PRA proposal to change the category labels on the MLA-G and MLA-G1 templates and add a footnote clarifying that the templates refer to FCA glossary definitions? If not, what amendments do you suggest?**

Q17: **Do you agree with the FCA proposal to amend the guidance in SUP 16 Annex 19B G to make clear how firms with the administering permission should complete MLAR? If not, what amendments would you suggest?**

Q18: **Do you agree with the PRA proposal to amend its 'Notes for the completion of the Mortgage Lenders and Administrators Return ('MLAR')' as set out in Appendix 3? If not, what amendments would you suggest?**

Annex 2
FCA cost benefit analysis

Introduction

1. FSMA, as amended by the Financial Services Act 2012, requires the FCA to publish a cost benefit analysis (CBA) of our proposed rules. Specifically, section 138I requires us to publish a CBA of proposed rules, defined as 'an analysis of the costs, together with an analysis of the benefits that will arise if the proposed rules are made'.

2. This analysis presents estimates of the significant impacts of the FCA proposals. We provide monetary values for the impacts where we believe it is reasonably practicable to do so. For others, we provide estimates of outcomes in other dimensions.

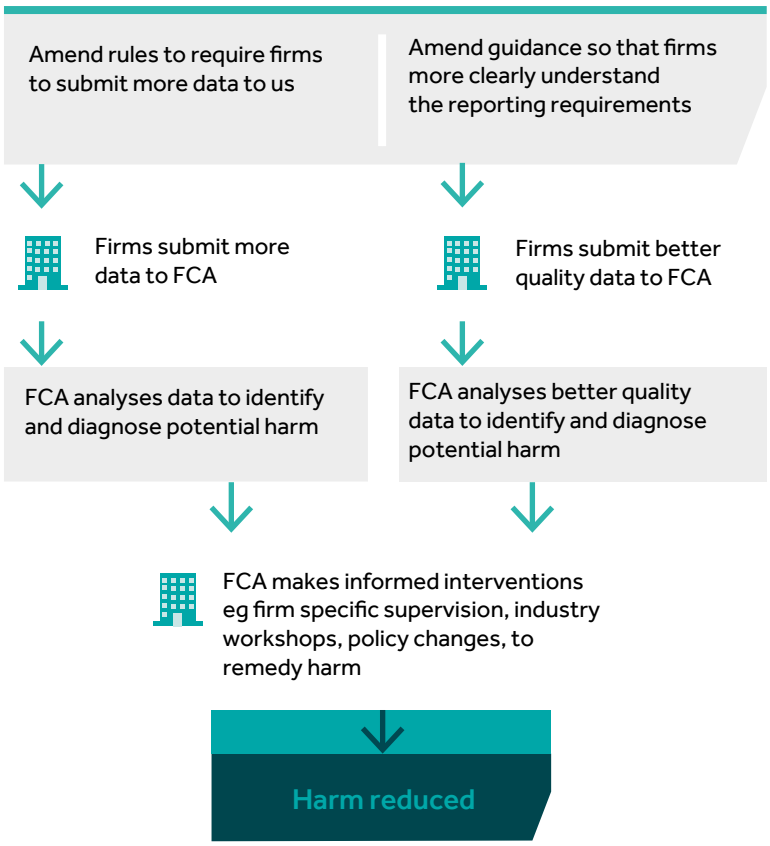
3. The PRA's CBA is set out in Annex 4. However, some of the costs set out in this analysis are also relevant to the PRA's proposals.

Problem and Rationale for Intervention

4. We [the FCA] want to address gaps in and improve the quality of the data we receive. Doing so will allow us to better identify, diagnose and monitor potential harms in the market. By collecting the data via regular reporting requirements, rather than ad-hoc requests, we aim to reduce costs to firms in the long-run. We also want to ensure we can proactively, rather than retrospectively, identify harm to consumers. This will enable us to more effectively supervise and make policy.

5. The figure below outlines how our proposals are expected to mitigate harm.

Figure 1: Causal chain



Baseline and key assumptions

6. It is necessary to establish a baseline, or counterfactual, against which to assess the costs and benefits of an intervention, to ensure that we consider only those costs associated with that intervention.

7. We use the counterfactual of firms meeting our current reporting rules to measure the costs and benefits of our proposals. In the counterfactual scenario, we might undertake ad-hoc data requests to collect the information we want. To note that:

- When analysing costs, we ignore any savings made from the fact that firms would not have to respond to ad-hoc requests, although in practice these could be significant.
- When analysing benefits, however, we do recognise that there are benefits to firms from not having to respond to such requests, albeit it that such benefits are unquantifiable. This is because it is difficult to estimate the frequency, size or cost of such requests.

8. We have data from 2 different data requests to analyse and estimate costs to firms.

9. The first is the information small[14] and medium[15] firms gave us regarding the costs of implementing our initial reporting proposals as part of the Mortgage Market Review (MMR) in 2013. Those reporting changes included adding and amending fields in PSD001, setting up PSD007, and introducing new MLAR forms.

10. We have adjusted the figures for inflation[16] and to reflect that actual costs are likely to be lower, as firms adapt to our reporting requirements and make efficiencies in the design of their systems to meet those requirements. The respondent firms include smaller building societies, banks and 1 administrator.

11. The second set of data we have used is the information firms gave to the PRA regarding the resources required and cost of implementing a number of changes to PSD001 reports in 2018. The respondent firms were large firms.[17]

12. We have given estimates of both one-off and ongoing costs. These include personnel costs such as training staff, project management and personnel time on IT development. They also include systems costs, such as development and testing of the reporting systems. In some cases, we assume that ongoing costs can be subsumed into firms' current outgoings on the maintenance of their reporting systems.

13. We welcome any views on the approach taken and assumptions we have made.

Costs of our proposals

PSD: performance reports (PSD007) changes

14. Our first proposal is that administrators report PSD007 on loans they administer on behalf of unregulated entities. To meet this requirement, some administrators may have to set up systems to start reporting PSD007.

15. Some administrators already submit PSD007 on behalf of authorised lenders. They would therefore be likely to already have the reporting systems in place and so incur lower costs. We also consider that administrators will already hold the information required to produce a PSD007 report. This is because that information is necessary to enable administration of a customer's account. For example, information required in PSD007 includes the balance outstanding and the date of the customer's most recent arrears.

16. We are aware that a relatively small number of administrators administer loans on behalf of unregulated entities. We estimate that this number is between 5 to 10 administrators. In the absence of relevant cost survey data, we assume that the implementation of this proposal would necessitate IT projects at these firms. Using the FCA's standard cost methodology, we assume that it would require 234 days of personnel time per firm across teams including business analysis, programming, testing and project management. We estimate ongoing costs as a tenth of that per year as we consider that some continued IT changes may be necessary on an ongoing basis. This results in estimated one off costs of £82,381 and average ongoing costs of £8240.

14 Less than 1% market share of gross mortgage lending
15 Between 1% and 7% market share of gross mortgage lending
16 We use the Retail Price Index: www.ons.gov.uk/economy/inflationandpriceindices/timeseries/chaw/mm23
17 Over 7% market share of gross mortgage lending

17. Administrators which do not administer loans on behalf of unregulated entities will still be required to submit a nil PSD007 return. However, we consider that this will be a minimal cost that can be subsumed into ongoing compliance costs.

18. Based on these assumptions, we estimate that reporting PSD007 on loans administered on behalf of unregulated entities would give rise to a maximum industry total one-off cost for administrators of £824,000, and ongoing costs of £0.08m per year.[18]

19. If lenders also administer loans on behalf of unregulated entities, we estimate that the cost to start reporting PSD007 on those loans will be minimal. This is because they will already be required to report PSD007 on the loans which they own. We also consider that they will already hold the information required in a PSD007 report on the relevant loans, as would administrators.

20. The proposal to require lenders to include the new fields in PSD007 would result in lenders having to update their systems to enable submissions of a new version of the PSD007 report. Based on the MMR cost survey, we estimate that these would be on average £5,000 for smaller lenders and £14,000 for medium lenders. To estimate the costs for large lenders, we have scaled these estimates based on a ratio of cost estimates for larger firms, relative to medium firms, derived from our estimates for the proposed changes to PSD1 (see paragraph 23 below). This produces an average cost of £44,000 for large lenders and an industry total one-off cost of £1.8m.[19] The incremental on-going costs are likely to be minimal as the additional fields could be addressed by firms' existing efforts to maintain PSD007.

PSD: sales reports (PSD001) changes

21. The second set of proposals relates to PSD001 changes. As set out in paragraph 1.4 the PRA and FCA have made these changes jointly to reduce costs for firms by spreading the fixed costs of the necessary change projects across changes that will be implemented in a single change. The proposed changes are that:

- All mortgage lenders report PSD001 on internal product transfers
- PRA-authorised mortgage lenders report required further advance data in the PSD001 report
- FCA-authorised mortgage lenders report PSD001 on further advances
- PRA-authorised mortgage lenders report required data on outstanding customer debt and reversion rates in the PSD001 report
- FCA-authorised mortgage lenders report data on outstanding customer debt and reversions in the PSD001 report

22. As a result of these changes, all lenders will have to upgrade their systems to start reporting a new version of PSD001, which includes additional fields and changed validation rules. Some of these changes result from PRA requirements and other from FCA requirements. We do not consider it practicable to disaggregate these costs here so provide the total cost of the proposals as an upper bound.

18 Based on 10 firms.

19 Based on 288 small firms, 10 medium firms and 5 large firms.

23. The MMR cost survey contains estimates from small and medium lenders about the cost and resources required to add further fields to, and change, PSD001, including reporting new information. We have used these to estimate the costs of these changes. These are on average £24,000 for a small lender and £80,000 for a medium lender with ongoing costs subsumed into general maintenance costs.

24. The PRA has also received costs estimates from large lenders covering the proposed changes to PSD001. These are on average £250,000 per firm with average on-going costs of £25,000 per firm per annum.

25. Using these responses, we estimate that upgrading systems to the new PSD001 version would give rise to an industry one-off cost to lenders of £9m. Total industry ongoing costs are estimated at £150,000 per annum.

26. In addition, lenders may outsource reporting to third parties, who may report on behalf of multiple firms. Therefore, it is possible those third parties would spread the cost across their clients and the cost to those lenders may be lower. To the extent that this occurs in practice, the actual costs may be lower than the estimates presented here.

MLAR changes

27. We are proposing to require administrators who administer second charge loans to report a new MLAR form. We asked smaller lenders about the cost of introducing new MLAR forms in 2013. Using the data they provided about costs to introduce the MLAR liquidity form and based on the number of firms that will have to report the new form, we estimate that industry total one-off costs would amount to £21,000[20] and ongoing costs to £15,000.[21]

28. We consider that there would be minimal cost arising from our proposed guidance changes. These are intended to make the MLAR reporting requirements clearer and should make the MLAR submissions process easier for firms.

Overall costs of the proposals set out in this CP

Table 2: Overall costs to the industry

Firm type	One-off	On-going
Lenders	£10.76m	£0.15m
Administrators	£0.85m	£0.10m
Total	**£11.61m**	**£0.25m**

Note: figures in the text may not add to total in this table due to rounding.

29. These cost figures presented are driven by the large number of firms affected by the proposals.[22] The costs are also likely to be conservative estimates. Firms should consider their own systems and costs in responding to the CP.

20 Based on one off costs of c. £90 for 234 firms.
21 Based on on-going costs of c. £62 for 234 firms.
22 The proposals to amend PSD set out in this CP affect 303 firms

Costs to the FCA

30. The proposals will also require the FCA to amend systems so that firms can submit the information via GABRIEL and so that the information can be stored on our internal systems. The estimated costs to amend GABRIEL are laid out below:

Table 3: Costs to the FCA

Item Name	Cost
PSD001	£82,000
PSD007	£35,500
MLAR	£57,500
Total	**£175,000**

Benefits of our proposals

31. We believe that the proposals will have an indirect benefit for consumers. This is because having the data will enable us to better identify, diagnose and monitor harm in the mortgage market. As a result, we will be able to better remedy those harms and supervise in a more effective manner. Ultimately, this should result in us better:

- protecting customers from harm
- ensuring the mortgage market works well
- promoting competition in the interest of consumers

32. A further benefit may be that treatment of customers improves because administrators and lenders are aware that we have access to the data on how they are treating them. For example, customers in closed books owned by unregulated entities may benefit from improved forbearance offerings.

33. Firms will benefit in the long run from not having to respond to ad-hoc requests. This will lower the burden for firms, who have previously given a range of estimated costs to respond to one-off data requests, depending on their scope and complexity, of £3k to up to £100k.

34. Changing the MLAR guidance will make it easier to submit the correct data and therefore in some cases may reduce the personnel time taken to understand our requirements.

We do not consider it reasonably practical to quantify these benefits given their indirect nature and the difficulty of predicting how the proposed data may shape any interventions.

Annex 3
FCA compatibility statement

Compliance with legal requirements

1. This Annex records the FCA's compliance with a number of legal requirements applicable to the proposals in this consultation, including an explanation of the FCA's 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 (a) compatible with its general duty, under s. 1B(1) FSMA, so far as reasonably possible, to act in a way which is compatible with its strategic objective and advances one or more of its operational objectives, and (b) its general duty under s. 1B(5)(a) FSMA to have regard to the regulatory principles in s. 3B FSMA. The FCA is 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 the FCA's view of how the proposed rules are compatible with the duty on the FCA to discharge its 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. In addition, this Annex explains how we have considered the recommendations made by the Treasury under s. 1JA FSMA about aspects of the economic policy of Her Majesty's Government to which we should have regard in connection with our general duties.

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

6. Under the Legislative and Regulatory Reform Act 2006 (LRRA) the FCA is subject to requirements to have regard to a number of high-level 'Principles' in the exercise of some of our regulatory functions and to have regard to a 'Regulators' Code' when determining general policies and principles and giving general guidance (but not when exercising other legislative functions like making rules). This Annex sets out how we have complied with requirements under the LRRA.

The FCA's objectives and regulatory principles: Compatibility statement

7. The proposals set out in this consultation are primarily intended to advance the FCA's operational objective to secure an appropriate degree of protection for consumers. They aim to enable the FCA to identify, monitor and remedy potential harm to customers:

- during, or as a result of, the sale of internal product transfers and further advances
- who have mortgages owned by firms not authorised for mortgage lending
- who take out mortgages where it is important, and required, that the lender assesses whether they can afford that mortgage
- who have second charge mortgages

8. The proposals also aim to advance the FCA's operational objective to promote effective competition in the interests of consumers. They aim to enable to FCA to identify and monitor lender's strategies for, but not exclusively:

- sales by product type, product price (including fees) and channel
- the debt profile of their new and existing customers

9. This would allow the FCA to remedy any potential harm arising from competition not working well in the mortgage market.

10. The proposals are also relevant to the FCA's operational objective to protect and enhance the integrity of the UK financial system. They aim to allow the FCA to better understand the prudential risk taken on by lenders and remedy potential harm arising from such risk. In particular our proposals to collect more PSD001 data, and to make MLAR guidance changes, will allow us to better understand lenders' prudential risk.

11. We also believe these proposals are compatible with the FCA's strategic objective of ensuring that the relevant markets function well because they will enable us to monitor and remedy any potential harm arising from lenders taking on too much prudential risk. For the purposes of the FCA's strategic objective, 'relevant markets' are defined by s. 1F FSMA.

12. 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

13. By addressing gaps in the PSD and MLAR data we are reducing the need for the FCA to make resource-heavy data requests. We are also ensuring that we supervise using accurate data about the full mortgage market. We also aim, by clarifying MLAR guidance, to reduce the need to clarify reporting requirements repeatedly to separate firms.

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

14. We consider that proposing a package of reporting changes rather than a series of frequent changes should limit the cost for firms to make such changes. This aims to ensure we can benefit from receiving the data without placing undue burden on the market.

The desirability of sustainable growth in the economy of the United Kingdom in the medium or long term

15. By asking for the data via regular reporting, we aim to ensure that mortgage firms can develop sustainably rather than having to respond to continued ad-hoc data requests.

The general principle that consumers should take responsibility for their decisions

16. The proposals do not directly relate to consumer behaviour.

The responsibilities of senior management

17. The senior managers' regime will not be impacted by our proposals.

The desirability of recognising differences in the nature of, and objectives of, businesses carried on by different persons including mutual societies and other kinds of business organisation

18. We have considered differences between firms and we believe there is insufficient evidence to merit the differing application of our proposals to mutual societies, including building societies. This is because we understand that the relative cost to meet our proposed requirements will not be higher for such organisations.

The desirability of publishing information relating to persons subject to requirements imposed under FSMA, or requiring them to publish information

19. Our proposals are compatible with this principle.

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

20. In developing our proposals, we have had regard to the importance of acting as transparently as possible.

21. In formulating these proposals, the FCA has 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). We do not consider this relevant to our proposals.

Expected effect on mutual societies

22. The FCA does not expect the proposals in this paper to have a significantly different impact on mutual societies.

Equality and diversity

23. We are required under the Equality Act 2010 in exercising our functions to 'have due regard' to the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by or under the Act, advance equality of opportunity between persons who share a relevant protected characteristic and those who do not, and to foster good relations between people who share a protected characteristic and those who do not.

24. As part of this, we ensure the equality and diversity implications of any new policy proposals are considered. We do not consider our proposals will adversely affect people with protected characteristics, but seek views on this.

Legislative and Regulatory Reform Act 2006 (LRRA)

25. We have had regard to the principles in the LRRA for the parts of the proposals that consist of general policies, principles or guidance and consider that our proposals are:

- Transparent – We are following an established consultation process in making these rules
- Accountable – We are seeking feedback from this CP on whether stakeholders agree with our proposed approach
- Proportionate – Our proposals aim to advance our objectives without creating undue burdens on firms or adverse impact on consumers
- Consistent – Our proposals aim to ensure we set consistent expectations from businesses across the mortgage market
- Targeted – We have intended that action is needed to achieve the aims of the proposals

26. We have had regard to the Regulators' Code for the parts of the proposals that consist of general policies, principles or guidance. We consider that the proposals will be effective in helping firms understand and meet regulatory requirements in a manner that leads to improved outcomes for consumers.

Treasury recommendations about economic policy

27. In developing our proposals, we have had regard to HM Treasury's recommendations to us about aspects of the Government's economic policy the FCA should have regard to when discharging its functions. The key contribution of the FCA to this economic policy is, working with the FPC and the Bank of England acting in its capacity as the PRA, to protect consumers, promote competition in financial services and to protect and enhance the integrity of the UK Financial system.

28. As set out in this CP, the proposals will support the FCA in delivering on its operational objectives, in particular protecting consumers and protecting and enhancing market integrity. The proposals will also support the PRA in monitoring risks to the financial system.

Annex 4
The PRA's statutory obligations

1. In carrying out its policy making and rule making functions, the PRA is required to comply with several legal obligations.

2. Before making any rules, FSMA (Section 138J) requires the PRA to publish a draft of the proposed rules accompanied by:

   - a cost benefit analysis
   - an explanation of the PRA's reasons for believing that making the proposed rules is compatible with the PRA's duty to act in a way that advances its general objective (Section 2B of FSMA), insurance objective (if applicable) Section 2C of FSMA), and secondary competition objective (Section 2H(1) of FSMA)
   - an explanation of the PRA's reasons for believing that making the proposed rules are compatible with its duty to have regard to the regulatory principles (Sections 2H(2) and 3B of FSMA)
   - a statement as to whether the impact of the proposed rules will be significantly different to mutuals than to other persons (Section 138K of FSMA)

3. The Prudential Regulation Committee (PRC) should have regard to aspects of the Government's economic policy recommended by HM Treasury (Section 30B of the Bank of England Act 1998).

4. The PRA is also required by the Equality Act 2010 (Section 149) to have due regard to the need to eliminate discrimination and to promote equality of opportunity in carrying out its policies, services and functions.

Cost benefit analysis

5. Firms will incur one-off costs to amending their PSD reporting, as well as the ongoing cost of providing the data in the format required. As described in Annex 2, the PRA and the FCA have engaged with firms to collect data on the likely costs of these changes.

6. Having evaluated the data thus jointly collected, the PRA considers the costs arising from these amendments are proportional to the benefits of collecting the data.

7. The PRA expects the costs to firms to be limited by the fact that a number of reporting changes are being proposed together, and therefore firms will only need to make one set of changes to their systems for mortgage data reporting in the near future.

8. The PRA expects that using PSD to collect this data, rather than a separate collection or ad hoc requests, will limit the costs to firms of providing the data.

9. The proposals set out in this paper will also result in the PRA incurring costs. The PRA will cover the cost to the FCA of updating systems to receive and store additional PSD001 data requested by the PRA from firms. The PRA will also incur costs as a result of updating its own systems to receive the new PSD001 dataset. It is estimated these costs will sum to approximate £70k. The PRA does not expect to incur material costs as a result of changes to MLAR.

10. The proposed changes will assist the PRA in monitoring the LTI flow limit and the affordability test, existing requirements on firms, and therefore will help to realise the benefits of these policies. For more information about these policies, see PRA CP 11/14, the Record of the Financial Policy Committee Meetings 17 and 25 June 2014, and the Record of the Financial Policy Committee Meeting held on 21 June 2017.

11. The proposed MLAR reporting definitional changes are minor and the PRA does not expect any increased costs for firms. The improved clarity in the reporting definitions should benefit firms by making the MLAR reporting process easier. The changes will benefit the PRA by improving data quality and allowing it to better monitor risks to its safety and soundness objective by enabling the PRA to better monitor new mortgage lending by PRA-regulated firms.

Compatibility with the PRA's objectives

12. The PRA considers that these reporting changes are compatible with the PRA's primary objective to promote the safety and soundness of firms it regulates by supporting the prudential supervision of PRA-authorised firms through monitoring parts of their business that have been identified as having the potential to adversely affect the stability of the UK financial system. The changes will also support the prudential supervision of firms by enabling the PRA to see a more complete picture of mortgage lending practices by PRA-authorised firms. The changes would also improve the PRA's cooperation with the Bank in the Bank's pursuit of its financial stability objective of protecting and enhancing the stability of the UK financial system.

13. The PRA's objective to contribute to securing an appropriate degree of protection for policyholders is not engaged by these changes.

14. The PRA has assessed the potential impact of the proposed rules on facilitating effective competition. The proposals are not expected to have a material effect on competition.

Regulatory principles

15. In developing the proposal in this CP, the PRA has had regard to the regulatory principles. Two principles of particular relevance to the proposals set out above are:

- The principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction. The PRA has followed this principle when developing the proposal in this

CP, by only requiring the regulated debt with other lenders to be reported for second charge mortgages.

- The need to use the resources of each regulator in the most efficient and economical way. The proposed use of PSD to collect the data required by the PRA will allow for an efficient allocation of regulatory resource, compared to the alternatives of a separate data collection or ad hoc requests.

Impact on mutuals

16. The PRA expects that the impact of the proposed rule changes on mutuals will be no different to the impact on other firms.

HM Treasury recommendation letter

17. HM Treasury has made recommendations to the PRC about aspects of the Government's economic policy to which the PRC should have regard when considering how to advance the PRA's objectives and apply the regulatory principles. The PRA has considered the implications of the proposals in this CP on each of the recommendations.

18. The aspect of the Government's economic policy most relevant to the proposals in this CP is competition, which has been considered in the 'compatibility with the PRA's objectives' section above.

Equality and diversity

19. The PRA does not consider that the proposals give rise to equality and diversity implications.

Annex 5
Abbreviations used in this paper

CBA	Cost Benefit Analysis
CP	Consultation Paper
FCA	Financial Conduct Authority
FPC	Financial Policy Committee
FSMA	Financial Services and Markets Act
LRRA	Legislative Regulatory Reform Act 2006
LTI	Loan to Income
MCD	Mortgage Credit Directive
MCOB	Mortgages and Home Finance: Conduct of Business sourcebook
MLAR	Mortgage Lending and Administration Return
MMR	Mortgage Market Review
MMS	Mortgage Market Study
PRA	Prudential Regulation Authority
PSD	Product Sales Data
SUP	the Supervision manual

We have developed the policy in this Consultation Paper in the context of the existing UK and EU regulatory framework. The Government has made clear that it will continue to implement and apply EU law until the UK has left the EU. We will keep the proposals under review to assess whether any amendments may be required in the event of changes in the UK regulatory framework in the future.

We make all responses to formal consultation available for public inspection unless the respondent requests otherwise. We will not regard a standard confidentiality statement in an email message as a request for non-disclosure.

Despite this, we may be asked to disclose a confidential response 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 Rights Tribunal.

All our publications are available to download from www.fca.org.uk. If you would like to receive this paper in an alternative format, please call 020 7066 7948 or email: publications_graphics@fca.org.uk or write to: Editorial and Digital team, Financial Conduct Authority, 12 Endeavour Square, London E20 1JN

By responding to this consultation, you provide personal data to the Bank of England. This may include your name, contact details (including, if provided, details of the organisation you work for), and opinions or details offered in the response itself.

The response will be assessed to inform our work as a regulator and central bank, both in the public interest and in the exercise of our official authority. We may use your details to contact you to clarify any aspects of your response.

The consultation paper will explain if responses will be shared with other organisations (for example, the Financial Conduct Authority). If this is the case, the other organisation will also review the responses and may also contact you to clarify aspects of your response. We will retain all responses for the period that is relevant to supporting ongoing regulatory policy developments and reviews. However, all personal data will be redacted from the responses within five years of receipt. To find out more about how we deal with your personal data, your rights or to get in touch please visit bankofengland.co.uk/legal/privacy.

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure to other parties in accordance with access to information regimes including under the Freedom of Information Act 2000 or data protection legislation, or as otherwise required by law or in discharge of the Bank's functions.

Please indicate if you regard all, or some of, the information you provide as confidential. If the Bank of England receives a request for disclosure of this information, we will take your indication(s) into account, but cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system on emails will not, of itself, be regarded as binding on the Bank of England.

Responses are requested by 22 March 2019.

Please address any comments or enquiries to:

Macroprudential Toolkit Team
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

Appendix 1
Draft Handbook text

MORTGAGES (REGULATORY REPORTING) INSTRUMENT 2019

Powers exercised

A. The Financial Conduct Authority makes this instrument in the exercise of the following powers and related provisions in the Act:

(1) section 137A (The FCA's general rules);
(2) section 137T (General supplementary powers); and
(3) and section 139A (The FCA's power to give guidance).

B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act.

Commencement

C. This instrument comes into force on [*date*].

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 Mortgages (Regulatory Reporting) Instrument 2019.

By order of the Board
[*date*]

Annex

Amendments to the Supervision manual (SUP)

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

16 Reporting requirements

…

16.11 Product Sales Data Reporting

Application

16.11.1 R This section applies:

…

(2) in relation to performance data reports~~,~~:

(a) to ~~a~~ the *firm* ~~in~~ ("A") which ~~the rights and obligations of the lender under a~~ entered into the *regulated mortgage contract* ~~are vested~~; or

(b) where the right of the lender to receive payments under the *regulated mortgage contract* has passed to another person ("B") by legal or equitable assignment or by operation of law:

(i) where B is a *firm* with *permission* for *administering a regulated mortgage contract*, *firm* B (and it is immaterial for this purpose whether B makes arrangements for A or another *person* to administer the mortgage or to exercise the lender's rights under it); or

(ii) where B is not a *firm* with *permission* for *administering a regulated mortgage contract* and B enters into an agreement with a *firm* ("C") to administer the contract, *firm* C (it is immaterial for this purpose whether *firm* C is *firm* A, or whether *firm* C enters into an arrangement with another *person* to outsource or delegate the performance of some of those administration activities).

16.11.1A G Where a *regulated mortgage contract* has been sold or securitised, the *firm* responsible for the performance data report should be the 'principal administrator' submitting the *MLAR* (see section G of *SUP* 16 Annex 19AR and the guidance notes on section G in *SUP* 16 Annex 19BG).

Purpose

16.11.2 G …

(3) Certain of the information is required under *PRA* rules: see *SUP* 16.11.7R(2) to (5). This information is collected by the *FCA* for the *PRA*, but the *PRA* allows the *FCA* to retain the information for the *FCA*'s purposes.

Reporting requirement

16.11.3 R …

(3B) A *firm* must submit a nil return in respect of performance data reports if it does not own any rights of a lender under a *regulated mortgage contract*, and only carries on the *regulated activity* of *administering a regulated mortgage contract* for *firms* which are themselves obliged to submit performance data reports under *SUP* 16.11.1R(2).

…

…

Content of the report

16.11.5 R A sales data report must contain sales data in respect of the following products:

…

(3) *regulated mortgage contracts* (~~but not~~ including further advances (see *SUP* 16.11.7R(3)) and internal product transfers and internal remortgages, irrespective of whether there is a new mortgage contract);

…

…

16.11.7 R (1) A data report must comply with the provisions of *SUP* 16 Annex 21R.

(2) But (3) to (5) apply where a *firm* which is required to submit a sales data report under *SUP* 16.11.3R(1)(a) is a *PRA-authorised person* which is also required to submit information to the *FCA* under chapter 22 (regulatory mortgage contract reporting) of the *PRA*'s Regulatory Reporting rules.

(3) Where the sales data report relates to a further advance, *SUP* 16.11.3R(1)(a) and *SUP* 16 Annex 21R apply to the *firm* only in relation to the format in which the *data elements* in the report are to be submitted to the *FCA*.

(4) Where the sales data report does not relate to a further advance, *SUP* 16.11.3R(1)(a) and *SUP* 16 Annex 21R apply to the *firm* in respect

of the *data elements* listed in (5) only in relation to the format in which the *data elements* are to be submitted to the *FCA*.

(5) The *data elements* are:

(a) the total amount owed by the borrower to the *firm* under the *regulated mortgage contract*;

(b) for a *second charge regulated mortgage contract*, the total amount owing to third parties secured on the property; and

(c) the contractual reversion rate.

…

16.12 Integrated Regulatory Reporting

…

16.12.18 R C …

Description of *data item*	*Data item* (note 1)	Frequency	Submission deadline
…			
Second charge lending - arrears analysis	…	…	…
Second charge mortgage administration – business profile	Section G1 MLAR	Quarterly	20 *business days*
…			

…

16 Annex 19AR Mortgage Lenders & Administrators Return ('MLAR')

…

G (1) MORTGAGE ADMINISTRATION: Business profile

…

G1.1	Number of loans administered for:		
	a) ~~Firms~~ *Firms* with a ~~mortgage lender's permission~~ *mortgage lender's permission*	…	…
	b) Other ~~firms~~ *persons* (but not *special purpose vehicles* – see c) below)	…	…
	c) ~~SPVs~~ *special purpose vehicles*	…	…
	d) Total	…	…
G1.2	Balance outstanding on loans administered for:		
	a) ~~Firms~~ *Firms* with a ~~mortgage lender's permission~~ *mortgage lender's permission*	…	…
	b) Other ~~firms~~ *persons* (but not *special purpose vehicles* – see c) below)	…	…
	c) ~~SPVs~~ *special purpose vehicles*	…	…
	d) Total	…	…

G (2) MORTGAGE ADMINISTRATION: Business profile

G2	**~~Lenders~~ Persons for whom mortgage administration was being carried out at end of quarter**	…
G2.1	~~Firms~~ *Firms* with a ~~mortgage lender's permission~~ *mortgage lender's permission*: [*top 5 only*]	…
G2	Other ~~firms~~ *persons* (but not *special purpose vehicles* – see	…

.2 G2.3 below):

[*top 5 only*]

G2.3 ~~SPVs~~ *special purpose vehicles*: …

[*top 5 only*]

16 Annex 19AAR **Mortgage Lenders & Administrators Return ('MLAR') – sub-forms for second charge regulated mortgage activity**

…

MLA-G1 Second Charge Mortgage Administration – business profile

Second or subsequent charge mortgage contracts administered at end of quarter

		As Principal administrator	As Other administrator
1	Total number of residential loans to individuals administered		
2	Total balance outstanding on all residential loans to individuals administered (£000's)		

…

16 Annex 19BG **Notes for Completion of the Mortgage Lenders & Administrators Return ('MLAR')**

…

SECTION G: MORTGAGE ADMINISTRATION – BUSINESS PROFILE

…

You should also note, however, that if you have both a *mortgage lender*'s activity and a *mortgage administrator*'s activity to administer your own book and do not

have any off-balance sheet loans to administer, then you should ~~not complete this section~~ answer only the first question of section G of the *MLAR* ("Do you need to complete tables G and H?"), leaving the rest of section G and section H blank.

'Principal' and 'Other' Administrators

…

- **Principal administrator**: this is where your ~~firm~~ *firm*:

(a) is administering its own off-balance sheet mortgages; or

(b) is authorised to undertake a *mortgage administrator*'s activity, and is exercising that activity on behalf of either a lender or ~~other firm~~ another *person* that is not itself authorised to undertake a *mortgage administrator*'s activity~~;~~, or has entered into a contract to do so but has outsourced the *mortgage administrator*'s activity to another *person*.

- **Other administrator:** this is where your ~~firm~~ *firm* ~~(although authorised to undertake a *mortgage administrator*'s activity)~~ is undertaking loan administration for either a lender or ~~other firm~~ another *firm* which itself is also authorised to undertake a *mortgage administrator*'s activity. In this situation, your ~~firm~~ *firm* is not regarded as the 'principal administrator', and you are merely acting on behalf of an authorised *mortgage administrator*.

…

G1 Mortgage contracts administered at end quarter			
Where your firm is acting as Principal administrator (columns 1-3)			
Collects data on mortgage contracts administered as at the end of the quarter, but only where you are formally acting as principal in exercising a *mortgage administrator*'s activity. It therefore excludes the reporting of:			
• any loan administration where you, being a *firm* without a *mortgage administrator*'s activity, are merely providing an outsourced service for a third party which does have a *mortgage administrator*'s activity ~~and which is exercising it in respect of those loans~~; and			
• any loan administration where you, a *firm* having a *mortgage administrator*'s activity, are acting as agent and providing an outsourced service for a third party which itself has a *mortgage administrator*'s activity ~~and which is exercising it in respect of those loans~~.			
…			
G1.1	**Number of loans** You should detail the number of *regulated mortgage contracts* administered as at the end of the quarter for ~~firms~~ *firms* with a *mortgage*		

	lender's activity, for other ~~*firms*~~ *persons* (~~i.e. lenders~~ including unauthorised purchasers of your off-balance sheet mortgages for ~~which~~ whom you administer mortgages but ~~they~~ who themselves do not have a *mortgage lender*'s activity) and for *special purpose vehicles* ~~('SPVs') (i.e. firms that fall within the *Handbook* definition of a *special purpose vehicle*)~~. You should also detail the number of non-regulated loans administered as at the end of the quarter for ~~firms~~ *firms* with a *mortgage lender*'s activity, for other ~~firms~~ *persons* (~~i.e. lenders~~ including unauthorised purchasers of your off-balance sheet mortgages for ~~which~~ whom you administer mortgages but ~~they~~ who themselves do not have a *mortgage lender*'s activity) and for ~~*SPVs*~~ *special purpose vehicles*. The total (all loans) is the sum of *regulated mortgage contracts* and non-regulated loans.
G2	**~~Lenders~~ Persons for whom mortgage administration was being carried out at quarter end**
	Collects data only on the top five ~~lenders~~ for each category by value (i.e. the largest five ~~*firms*~~ by value, based on balances outstanding on regulated loans) for whom mortgage administration was being carried out at the quarter end. (Details on other ~~lenders~~ *persons* are not required to be shown, over and above the top five listed in each category.) The analysis required in G2 covers all *mortgage administration* activity undertaken by your ~~firm~~ *firm*, irrespective of whether your ~~firm~~ *firm* is acting as a 'principal' or 'other' administrator. The final column of the analysis, however, asks you to indicate your status for each ~~firm~~ *person* listed, namely whether acting as 'Principal' or as 'Other' administrator.
…	
G2.2	**Other ~~firms~~ persons who own loans**
	Please detail the top five other ~~*firms*~~ *persons* who own beneficially the rights of the lender under the relevant mortgage contracts (by value) for whom *mortgage administration* was being carried out at the quarter end (but who themselves do not have a *mortgage lender*'s activity; these *persons* may be *authorised persons* or *unauthorised persons*).
	You should indicate the value of *regulated mortgage contracts* and non-regulated loans for each of the top five other ~~firms~~ *persons* who own beneficially the rights of the lender under the relevant mortgage contracts and for whom you administer.
	The total (all loans) for each ~~*firm*~~ *person* listed is the sum of *regulated mortgage contracts* and non-regulated loans.
G	**~~SPVs~~ Special purpose vehicles**

2.3	
	Please detail the top five ~~*SPVs*~~ *special purpose vehicles* (by value) for whom *mortgage administration* was being carried out at the quarter-end. If your *firm* has off-balance sheet loans (which it has reported in G1.1 c) and G1.2 c)) then please show your *firm* as one of these five ~~*SPVs*~~ *special purpose vehicles* as follows:
	• group together all ~~*SPVs*~~ *special purpose vehicles* for which your *firm* is the originator and show the aggregated amounts on a single line (irrespective of whether the total of regulated loans for all such ~~*SPVs*~~ *special purpose vehicles* would rank within the top five); • under "firm reference" column, put your *firm's* reference number; • under "Name of firm" column, put your *firm's* name followed by "own ~~SPVs~~ *special purpose vehicles*" in brackets, for example XYZ firm name (own ~~SPVs~~ *special purpose vehicles*). You should indicate the value of *regulated mortgage contracts* and non-regulated loans for each of the top five ~~*SPVs*~~ *special purpose vehicles* for whom you administer. The total (all loans) for all ~~*SPVs*~~ *special purpose vehicles* listed is the sum of regulated mortgage contracts and non-regulated loans.

SECTION H: MORTGAGE ADMINISTRATION – Arrears analysis

Type of loans to be reported

This arrears analysis should cover only those types of loan listed below, in respect of which your *firm* is formally acting as principal administrator ~~in exercising a *mortgage administrator*'s activity~~. Thus, irrespective of whether your *firm* has a *mortgage administrator*'s activity, if you are merely acting as an administrator for a third party that itself has~~, and is exercising,~~ a *mortgage administrator*'s activity, then you should not include any such loans in this analysis.

The types of loans to be included in the analysis are:

(i) Loans administered for *firms* which do not themselves have a *mortgage lender*'s activity. These ~~are the~~ loans are reported at G1.2 b) in table G.

(ia) Loans administered for any other *person*, including loans which your *firm* originated but which have been securitised off-balance sheet (and are therefore not reported in section A3 of Table A under "Securitised balances"). These loans are also reported at G1.2 b) in table G.

(ii) Loans administered for ~~third party *SPVs*~~ *special purpose vehicles*. These loans are reported at G1.2 c) in table G.

(iii) ~~where your *firm* has a *mortgage lender*'s activity, loans that represent your firm's off-balance sheet loans and which you have reported in section A3 of table A as "gross balances" under "Securitised balances"~~ [deleted].

~~NB: loans in (ii) and (iii) are all those shown in G1.2c of table G.~~

…

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

…

In the case of mortgage transactions, the reporting requirement ~~only~~ applies to loans for house purchase, ~~and~~ remortgages, internal product transfers (including those effected by a new mortgage contract and those effected as contract variations) and ~~(in the case of sales data only) not to~~ further advances. In the case of sales data, a reportable mortgage transaction applies where the mortgage transaction has completed (i.e. funds have been transferred and have been applied for the purpose of the mortgage).

…

16 Annex 21R **Reporting fields**

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.

Data reporting field	**Code (where applicable)**	**Notes**
…	…	…
Transaction reference (*regulated mortgage contracts*, *high cost short term loans* and *home credit loan agreements* only)	Numeric / Alphanumeric	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, e.g. the account number, application number etc.
Original Transaction reference (*regulated mortgage contracts* only)	Numeric / Alphanumeric	Where there is a further advance or an internal product transfer or other internal remortgage, this should be the

		transaction reference of the mortgage when originally reported. If the mortgage predates sales data reporting, this box should be left blank.
…	…	…

2 SPECIFIC REPORTING FIELDS

…

(c) Mortgages

…

Notes

…

(3) ~~In the case of sales data only, reporting fields should not be completed in relation to further advances.~~ [deleted]

…

Data reporting field	**Code (where applicable)**	**Notes**
Sales Data (report for all *regulated mortgage contracts*)		
Date mortgage account opened or of further advance or of internal product transfer or other internal remortgage	DD/MM/YYYY	Date of mortgage completion or draw-down of the funds. In the case of an internal product transfer or other internal remortgage (irrespective of whether additional borrowing is taken), this should be the date the new account is opened, or the rate change or product switch is effected. In the case of a further advance, this should be the date of draw-down of the funds.
Date previous mortgage account opened, or of most recent further advance, or of most recent internal product transfer or other internal remortgage	DD/MM/YYYY	In the case of a further advance, this should be the date of the most recent further advance. In the case of an internal product transfer or other internal remortgage which is effected by means of a new mortgage contract, this should be the date on which the previous mortgage

		account was opened or, if later, the date of the most recent internal product transfer or other internal remortgage which was effected by a variation to that mortgage. In the case of an internal product transfer or other internal remortgage which is effected by a variation to the existing mortgage contract, this should be the date of the most recent product transfer or other internal remortgage effected by a variation. For first time buyers, or other cases where there is no relevant most recent event, this *data element* should be left blank.
…	…	…
Date incentivised rate ends	…	…
Contractual reversion rate	Numeric %	Report the reversion rate specified in the contract, i.e. the interest rate which is currently expected to apply at the end of any initial incentive or fixed rate period. If there is no reversion rate, e.g. for mortgages sold on a SVR or a rate that is fixed for the term, this should be the same as the initial gross charging rate of interest.
…	…	…
Type of mortgage	L = *lifetime mortgage* SA = *shared appreciation mortgage* SO = shared ownership mortgage BM = business loan	Use code to indicate mortgage type. Report all relevant codes. Report 'NA' to denote 'not applicable' where codes do not apply. Report 'FA' for a further advance under the same mortgage contract. Report 'FN' for a further advance, where the further advance is under a new mortgage contract. A further advance is a further loan to an existing borrower of the *firm* and which is secured on the

	BL = bridging loan FA = further advance under an existing mortgage contract FN = further advance under a new mortgage contract GM = guarantor mortgage HN = loan to a *high net worth mortgage customer* BR = buy-to-let mortgage (regulated) LO = low start mortgage PT = internal product transfer RI = retirement interest-only mortgage SB = self-build mortgage SE = secured overdraft SC = *second charge regulated mortgage contract* VN = contract variation with no affordability assessment	same property – under a new mortgage contract, or by variation to an existing mortgage contract – including a loan secured by a second or subsequent charge where the *firm* has the benefit of the first charge (or other charge ranking in priority to that on which the further advance is secured). Report a 'guarantor mortgage' where the income of a guarantor has been included in the affordability assessment. Report a 'low start mortgage' where payments are made on an interest-only basis for a set period at the start of the mortgage, but payments contractually revert to a repayment basis after this set period. Report 'PT' where a *customer* internally transfers to a new product to obtain a different interest rate, with no additional borrowing (other than where application or reservation fees are being added to the outstanding amount), whether or not this involves a new mortgage contract. Report 'SC' for a *second charge regulated mortgage contract*. Where relevant, report both 'FN' and 'SC' where the *firm* is entering into a *second charge regulated mortgage contract* and the borrower also has amounts owing to the *firm* secured by a first charge on the property, or 'FA' and 'SC' where there is a further advance under a *second charge regulated mortgage contract*. Report 'VN' for contract variations that result in a new *regulated mortgage contract*, where no affordability assessment has been undertaken in accordance with *MCOB* 11.6. Where relevant, report as both 'VN' and 'PT'. Report 'L' if the mortgage is a *lifetime mortgage* of the type described in *MCOB* 9.4.132AR.

	NA = not applicable	
…	…	…
…	…	…
Type of borrower	F = first time buyer M = home movers (2nd or subsequent buyers) R = remortgagors C = council/ registered social landlord tenant exercising their right to buy O = other	Use code to indicate type of borrower. A mortgage taken on a previously unencumbered property should be reported as a remortgage. <u>An internal product transfer, even if entered through a contract variation rather than a new contract, should be reported as a remortgage.</u> Only 1 code should be entered. Report 'O' for *lifetime mortgages*, *bridging loans*<u>, further advances</u> and *second charge regulated mortgage contracts* that are not for remortgage purposes.
…	…	…
Term of mortgage in months	Numeric	Report the mortgage term in months. <u>For an internal product transfer or other internal remortgage, or for a further advance, report the remaining term at the time of the transfer, remortgage or advance.</u> Where the loan is split into more than one part, report the term applying to the largest part of the loan.
Size of loan	Numeric £	The original balance when the mortgage was completed. <u>For an internal product transfer, report the balance immediately after the transfer. For a further advance, report the size of the advance.</u> This amount should include fees and charges added to the loan.
…	.	…
Type of valuation at	I = internal	Report the type of valuation undertaken

origination of mortgage	inspection E = external inspection only, including drive-by A = automated valuation model, indexed or desktop valuation O = other	to obtain the market value of the mortgaged property. An internal inspection is where a valuer has carried out an internal inspection of the property. An external inspection is where the property has been inspected (including by drive-by inspection), but without an internal inspection of the property. In the case of an internal product transfer or other internal remortgage, this *data element* may be left blank if the answer is not known.
…	…	…
The purpose of a *second charge regulated mortgage contract*, further advance or extra money withdrawn for remortgages	H = home improvements D = debt consolidation O = other	Use codes to indicate the purpose(s) of the *second charge regulated mortgage contract*, further advance or the extra money withdrawn for first or second charge remortgages. Report all that apply.
…	…	…
County court judgments (CCJs) – first borrower (Value)	Numeric £	Report where the first borrower has been the subject of one or more CCJs, with a total value greater than £500, within the last three years (whether satisfied or unsatisfied). Report ‘0’ where the borrower does not have any CCJs. Where a CCJ is registered against the first and second borrower, report for both. A reference to the ‘county court’ is a reference to the county court in England and Wales, the county court in Northern Ireland and the sheriff court in Scotland. In the case of an internal product transfer or other internal remortgage, this *data element* may be left blank if the answer is not known.

County court judgments (CCJs) – second borrower (Value)	Numeric £	Report where the second borrower has been the subject of one or more CCJs, with a total value greater than £500, within the last three years (whether satisfied or unsatisfied). Report '0' where the borrower does not have any CCJs. Where a CCJ is registered against the first and second borrower, report for both. A reference to the 'county court' is a reference to the county court in England and Wales, the county court in Northern Ireland and the sheriff court in Scotland. In the case of an internal product transfer or other internal remortgage, this *data element* may be left blank if the answer is not known.
Impaired credit history of first borrower	A = arrears V = IVA B = bankruptcy D = debt relief order NA = not applicable	Use code/s to indicate applicable credit history of first borrower. Report all that apply. A = applies where within the last two years, the first borrower has owed overdue payments, of an amount equivalent to three months payments, on a mortgage or other loan (whether secured or unsecured). V = applies where the first borrower has been subject to an individual voluntary arrangement (IVA) at any time within the last three years. B = applies where the first borrower has been subject to a bankruptcy order at any time within the last ~~3~~ three years. D = applies where the first borrower has been subject to a debt relief order any time within the last three years. Where the impaired credit item relates to both the first and second borrower, report for both.

		Report 'NA' to denote 'not applicable' where the borrower has no relevant impaired credit history items. For the purposes of this note: - a reference to an 'individual voluntary arrangement' includes a protected trust deed in Scotland; - a reference to a 'bankruptcy order' includes a declaration as to bankruptcy made by the sheriff or the Accountant in Bankruptcy in Scotland; - a reference to a 'debt relief order' includes LILA (Low Income Low Asset) Bankruptcy in Scotland. <u>In the case of an internal product transfer or other internal remortgage, this *data element* may be left blank if the answer is not known.</u>
Impaired credit history of second borrower	A = *arrears* V = IVA B = bankruptcy D = debt relief order NA = not applicable	Use code/s to indicate applicable credit history of second borrower. Report all that apply. A = applies where within the last two years, the second borrower has owed overdue payments, of an amount equivalent to three months payments, on a mortgage or other loan (whether secured or unsecured). V = applies where the second borrower has been subject to an individual voluntary arrangement (IVA) at any time within the last three years. B = applies where the second borrower has been subject to a bankruptcy order at any time within the last three years. D = applies where the second borrower has been subject to a debt relief order any time within the last three years. Where the impaired credit item relates to both the first and second borrower,

		report for both. Report 'NA' to denote 'not applicable' where the borrower has no relevant impaired credit history items. For the purposes of this note: - a reference to an 'individual voluntary arrangement' includes a protected trust deed in Scotland; - a reference to a 'bankruptcy order' includes a declaration as to bankruptcy made by the sheriff or the Accountant in Bankruptcy in Scotland; - a reference to a 'debt relief order' includes LILA (Low Income Low Asset) Bankruptcy in Scotland. In the case of an internal product transfer or other internal remortgage, this *data element* may be left blank if the answer is not known.
…	…	…
Is the dwelling new?	Y=Yes N=No	Report 'Y' if the property is a new build property. '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. In the case of an internal product transfer or other internal remortgage, or of a further advance, firms should complete this data field with 'N'.
…	…	…

Affordability data

Do not report affordability data when affordability assessment has not been undertaken, ~~i.e.~~ e.g. for an *interest roll-up mortgage* or for an internal product transfer to which *MCOB* 11.7 applies.

…		
…	…	…
Total outstanding credit commitments for all borrowers	…	…
The total amount owed by the borrower to the *firm* under *regulated mortgage contracts* secured on the property immediately prior to the new borrowing	Numeric £	For a new mortgage contract, report the total amount owing to the *firm* and secured on the property under other *regulated mortgage contracts* that is outstanding immediately prior to the mortgage advance. For a further advance under an existing *regulated mortgage contract* (which constitutes a variation to that mortgage contract), report the amount owed to the *firm* under that mortgage contract immediately prior to the making of that further advance. Where there is a further advance under an existing *regulated mortgage contract* which is a *second charge regulated mortgage contract*, report the amount owed to the *firm* under that mortgage contract and the other *regulated mortgage contracts* immediately prior to the making of that further advance.
For a *second charge regulated mortgage* contract, the total amount owing to third parties secured on the property	Numeric £	Report the total amount owing to third parties and secured on the property at the time of the mortgage advance or further advance, as relevant. (Amounts owing to the *firm* secured by charge ranking in priority to the *second charge regulated mortgage contract* should be included in the *data element* above.)
…	…	…

Data reporting field	**Code (where applicable)**	**Notes**
Performance Data (report for all *regulated mortgage contracts*)		
Reference number of the *firm* which owns beneficially the rights of	Numeric	Where the mortgage contract is owned beneficially by the *firm* submitting the report, this should be the reference

the lender under the mortgage contract		number of the *firm*. Where the mortgage is owned beneficially by a *firm* other than the *firm* submitting the report, this should be the reference number of the other *firm*. If the mortgage is owned beneficially by an *unauthorised person*, leave this *data element* blank.
Legal name of the *unauthorised person* which owns beneficially the rights of the lender under the mortgage contract	Alphanumeric	Where the mortgage contract is owned beneficially by an *unauthorised person*, this should be the legal name (rather than a trading name) of that *person*. If the mortgage contract is owned beneficially by an *authorised person*, leave this *data element* blank.
Reference number of lender that currently holds the mortgage	Numeric	~~This~~ Where legal title to the mortgage contract is held by a *firm* which is not the beneficial owner of the lender's rights under the mortgage contract, this field must contain the ~~firm~~ reference number of ~~the lender that currently holds the mortgage~~ that *firm*, whether they originated the mortgage or ~~have bought it from another firm~~ not. Where the mortgage is securitised, this includes the lender that retains an interest in the mortgage. Where legal and beneficial title to the mortgage contract are held by the same *firm*, report the same reference number as in the *data element* in the first row of this table.
Is the account part of a closed book?	Y = yes N = no	Report 'Y' if the mortgage account (or collection of accounts of which the account is treated as part, i.e the mortgage book) is closed to new business. This will be the case where the only new funds transferred to the account or the book are further advances to the *customer* (or existing *customers* within the book), but the *customer* is not able to change to a new product type or switch interest rate types. This would include mortgage books owned by *unauthorised persons*, mortgage books owned by *authorised persons* whose permission does not

		include on the *regulated activity* of *entering into a regulated mortgage contract*, and mortgage books where the owner has *permission* to carry on the *regulated activity* of *entering into a regulated mortgage contract* but is not exercising it in relation to the mortgage book or *customers* within the book.
Reference number of administrator	Numeric	Where the mortgage is administrated by a third party that is an *authorised person*, this field must contain the *firm* reference number of that *firm*. (This should be the Principal administrator rather than the Other administrator: see Section G of *SUP* 16 Annex 19BG.)
…	…	…

Appendix 2
Draft Rulebook text

PRA RULEBOOK: CRR FIRMS: REGULATORY REPORTING AMENDMENT INSTRUMENT 2018

Powers exercised

A. The Prudential Regulation Authority ("PRA") 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 137G (The PRA's general rules); AND
(2) section 137T (General supplementary powers).

B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

Pre-conditions to making

C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

PRA Rulebook: CRR Firms: Regulatory Reporting Amendment Instrument 2018

D. The PRA makes the rules in the Annex to this instrument.

Commencement

E. This instrument comes into force on [**DATE**].

Citation

F. This instrument may be cited as the PRA Rulebook: CRR Firms: Regulatory Reporting Amendment Instrument 2018.

By order of the Prudential Regulation Committee
[DATE]

Annex A

Amendments to the Regulatory Reporting Part

In this Annex, unless otherwise indicated, new text is underlined and deleted text is struck through.

Part

REGULATORY REPORTING

Chapter content

…

22 REGULATORY MORTGAGE CONTRACT REPORTING

…

1 APPLICATION AND DEFINITIONS

…

1.2 …

further advance

means a further loan to an existing borrower of the *firm* and which is secured on the same property, made either under a new *regulated mortgage contract* or by variation to an existing *regulated mortgage contract*, and including a loan secured by a second or subsequent charge where the *firm* has the benefit of the first charge (or other charge ranking in priority to that on which the *further advance* is secured),

…

internal product transfer

means where a borrower under a *regulated mortgage contract* internally transfers to a new product to obtain a different interest rate but with no additional borrowing (other than application or reservation fees added to the outstanding amount), regardless of whether or not the transfer involves a new *regulated mortgage contract*.

…

regulated mortgage contract

means the *investment* specified in Article 61(3)(a) of the *Regulated Activities Order*.

…

reversion rate

means the interest rate on a *regulated mortgage contract* to which the interest rate which applies upon origination will change at the end of any initial incentive or fixed rate period.

…

second charge regulated mortgage contract

means a *regulated mortgage contract* which is not a legal mortgage ranking in priority ahead of all other mortgages (if any) affecting the property in question, where 'mortgage' includes charge and (in Scotland) a heritable security.

…

2 REPORTING REQUIREMENTS – DATA ITEMS

…

2.10 A *firm* permitted to carry on the *regulated activity* of entering into a *regulated mortgage contract*, except an *incoming EEA firm* with *permission* for *cross border services* only, must also submit *data items* as required by Chapter 22.

…

11 REGULATED ACTIVITY GROUP 5

…

11.2 …

(1) When submitting the completed *data item* required, a *firm* must use the format of the ~~data item~~ *data item* set out in **Chapter ~~18~~ 16**.

…

16 DATA ITEMS AND OTHER FORMS

…

16.21 MLAR can be found ~~**here**~~ **here**.

…

[All of the following Chapter is new and therefore not underlined.]

22 REGULATORY MORTGAGE CONTRACT REPORTING

Application

22.1 This Chapter applies to every *firm* permitted to carry on the *regulated activity* of *entering into* a *regulated mortgage contract*, except an *incoming EEA firm* with *permission* for *cross border services* only.

Reporting Requirement

22.2 If a *firm* makes a *further advance* under a *regulated mortgage contract*, the *firm* must submit to the *FCA* a 'sales data report' within the meaning of SUP 16.11 of the *FCA Handbook* which contains the *data elements* set out in SUP 16 Annex 21 of the *FCA Handbook*.

22.3 If a *firm* :

(1) makes an advance under a *regulated mortgage contract* which is not a *second charge regulated mortgage contract*; or

(2) carries out an *internal product transfer*

the *firm* must submit the *data elements* specified in 22.6 to the *FCA* as part of a 'sales data report' under SUP 16.11 of the *FCA Handbook*.

22.4 If a *firm* makes an advance under a *second charge regulated mortgage contract* the *firm* must submit the *data elements* specified in 22.7 to the *FCA* as part of a 'sales data report' under SUP 16.11 of the *FCA Handbook*.

22.5 (1) A *firm* may appoint another person to submit the 'sales data report' under 22.2 or the *data elements* under 22.3 or 22.4 on the *firm*'s behalf if the *firm* has informed the *PRA* and the *FCA* of that appointment in writing.

(2) Where (1) applies, the *firm* must ensure that the submission complies with the requirements of this Chapter and identifies the originator of the transaction.

Data Elements

22.6 The *data elements* referred to in 22.3 are:

(1) the total amount owed by the borrower to the *firm* under any other *regulated mortgage contract* secured on the same property, unless the advance is a *further advance* made by variation of an existing *regulated mortgage contract*, in which case the *data element* is the amount owed under that *regulated mortgage contract* immediately prior to the making of the *further advance*;

(2) the *reversion rate* specified in the *regulated mortgage contract*.

22.7 The *data elements* referred to in 22.4 are:

(1) the total amount owed by the borrower to the *firm* under any other *regulated mortgage contract* secured on the same property, unless the advance is a *further advance* made by variation of an existing *regulated mortgage contract*, in which case the *data element* is the amount owed under that *regulated mortgage contract* immediately prior to the making of the *further advance*;

(2) the total amount owed by the borrower to third parties secured on the property; and

(3) the *reversion rate* specified in the *second charge regulated mortgage contract*.

Mode of Reporting

22.7 A *firm* must submit the 'sales data report' required by 22.2 and the *data elements* required by 22.3(1) and 22.4(1) in accordance with the procedure and format for a 'sales data report' set out in SUP 16.11 of the *FCA Handbook.*

Appendix 3
PRA Amendments to notes for completion of the Mortgage Lenders & Administrators Return (MLAR)

SECTION G: MORTGAGE ADMINISTRATION – BUSINESS PROFILE

Introduction

…

You should also note, however, that if you have both a mortgage lender's activity and a mortgage administrator's activity to administer your own book and do not have any off-balance sheet loans to administer, then you should ~~not complete this section~~ answer only the first question of section G of the MLAR, leaving the rest of section G and section H blank.

In this section 'persons' and 'special purpose vehicle' refers to the FCA glossary definition.

'Principal' and 'Other' Administrators

…

- **Principal administrator**: this is where your firm:

  (a) is administrating its own off-balance sheet mortgages; or

  (b) ~~this is where your firm~~ is authorised to undertake a mortgage administrator's activity, and is exercising that activity on behalf of either a lender or another ~~firm~~ *person* that is not itself authorised to undertake a mortgage administrator's activity~~;~~ , or has entered into a contract to do so but has outsourced the mortgage administrator's activity to another *person*.

- **Other administrator**: this is where your firm ~~(although authorised to undertake a mortgage administrator's activity)~~ is undertaking loan administration for either a lender or another firm which itself is also authorised to undertake a mortgage administrator's activity. In this situation, your firm is not regarded as the 'principal administrator', and you are merely acting on behalf of an authorised mortgage administrator.

G1 Mortgage contracts administered at end quarter

Where your firm is acting as Principal administrator (columns1-3)

Collects data on mortgage contracts administered as at the end of the quarter, but only where you are formally acting as principal in exercising a mortgage administrator's activity. It therefore excludes the reporting of:

- any loan administration where you, being a firm without a mortgage administrator's activity, are merely providing an outsourced service for a third party which does have a mortgage administrator's activity ~~and which is exercising it in respect of those loans~~; and
- any loan administration where you, a firm having a mortgage administrator's activity, are acting as agent and providing an outsourced service for a third party which itself has a mortgage

administrator's activity ~~and which is exercising it in respect of those loans~~.

…

G1.1 Number of loans

You should detail the number of regulated mortgage contracts administered as at the end of the quarter for firms with a mortgage lender's activity, for other ~~firms~~ *persons* (i.e. ~~lenders~~ including unauthorised purchasers of your off-balance sheet mortgages for ~~which~~ whom you administer mortgages but ~~they~~ who themselves do not have a mortgage lender's activity) and for *special purpose vehicles* ~~('SPVs').~~

You should also detail the number of non-regulated loans administered as at the end of the quarter for firms with a mortgage lender's activity, for other ~~firms~~ *persons* (~~i.e. lenders~~ including unauthorised purchasers of your off-balance sheet mortgages for ~~which~~ whom you administer mortgages but ~~they~~ who themselves do not have a mortgage lender's activity) and for ~~SPVs~~ *special purpose vehicles.*

The total (all loans) is the sum of regulated mortgage contracts and non-regulated loans.

…

G2 ~~Lenders~~ Persons for whom mortgage administration was being carried out at quarter end

Collects data only on the top five ~~lenders~~ for each category by value (i.e. the largest five ~~firms~~ by value, based on balances outstanding on regulated loans) for whom mortgage administration was being carried out at the quarter end. (Details on other ~~lenders~~ *persons* are not required to be shown, over and above the top five listed in each category.)

The analysis required in G2 covers all mortgage administration activity undertaken by your firm, irrespective of whether your firm is acting as a 'principal' or 'other' administrator. The final column of the analysis, however, asks you to indicate your status for each ~~firm~~ *person* listed, namely whether acting as 'Principal' or as 'Other' administrator.

…

G2.2 Other ~~firms~~ persons who own loans

Please detail the top five other ~~firms~~ *persons* who own beneficially the rights of the lender under the relevant mortgage contracts (by value) for whom mortgage administration was being carried out at the quarter end (but who themselves do not have a mortgage lender's activity; these persons may be authorised persons or unauthorised persons).

You should indicate the value of regulated mortgage contracts and non- regulated loans for each of the top five other ~~firms~~ *persons* who own beneficially the rights of the lender under the relevant mortgage contracts and for whom you administer.

The total (all loans) for each ~~firm~~ *person* listed is the sum of regulated mortgage contracts and non-regulated loans.

G2.3 **~~SPVs~~ Special purpose vehicles**

Please detail the top five ~~SPVs~~ *special purpose vehicles* (by value) for whom *mortgage administration* was being carried out at the quarter-end. If your *firm* has off-balance sheet loans (which it has reported in G1.1 c) and G1.2 c)) then please show your *firm* as one of these five SPVs as follows:

group together all ~~SPVs~~ *special purpose vehicles* for which your firm is the originator and show the aggregated amounts on a single line (irrespective of whether the total of regulated loans for all such ~~SPVs~~ *special purpose vehicles* would rank within the top five);

• under "firm reference" column, put your firm's reference number;

• under "Name of firm" column, put your firm's name followed by "own ~~SPVs~~ *special purpose vehicles*" in brackets, for example XYZ firm name (own ~~SPVs~~ *special purpose vehicles*).

You should indicate the value of regulated mortgage contracts and non-regulated loans for each of the top five ~~SPVs~~ *special purpose vehicles* for whom you administer.

The total (all loans) for all ~~SPVs~~ *special purpose vehicles* listed is the sum of regulated mortgage contracts and non-regulated loans.

SECTION H: MORTGAGE ADMINISTRATION – Arrears Analysis

Type of loans to be reported

This arrears analysis should cover only those types of loan listed below, in respect of which your firm is formally acting as principal ~~in exercising a mortgage administrator's activity~~. Thus, irrespective of whether your firm has a mortgage administrator's activity, if you are merely acting as an administrator for a third party that itself has~~, and is exercising,~~ a mortgage administrator's activity, then you should not include any such loans in this analysis.

The types of loans to be included in the analysis are:

(i) loans administered for firms which do not themselves have a mortgage lender's activity. These ~~are the~~ loans are reported at G1.2 b) in table G.

(ia) loans administered for any other person, including loans which your firm originated but which have been securitised off-balance sheet (and are therefore not reported in section A3 of Table A

under “Securitised balances”). These loans are also reported at G1.2 b) in table G.

(ii) loans administered for third party SPVs. These loans are reported at G1.2 c) in table G.

~~(iii) where your firm has a mortgage lender's activity, loans that represent your firm's off-balance sheet loans and which you have reported in section A3 of table A as "gross balances" under "Securitised balances".~~

~~**NB** loans in (ii) and (iii) are all those shown in G1.2c of table G.~~ The information presented in table H should represent the total of all such loan types listed above, in a single version of the table.

…

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