

Frequently asked questions – Form PL/BG – September 2016

If your question is not answered below, please do not hesitate to contact the PL team via the following email: SRDDplteam@bankofengland.co.uk

For more general FAQs directed at users of the PL data please see:

www.bankofengland.co.uk/statistics/Documents/faq/income.pdf

General queries

1. Why is Form PL collected and why is there so much detail on the form?

Form PL is primarily collected to feed into the UK National Accounts and Balance of Payments. Most of the items on the form allow us to meet international statistical requirements in ESA10¹ and BPM6², which are quite detailed. In addition, some items are collected for financial stability or monetary policy purposes. As with all rolling reviews on statistical forms, all items go through a cost-benefit analysis and consultation with key stakeholders including the British Bankers' Association.

2. How are the data we supply used and published by the ONS?

Form PL data feeds into National Accounts and Balance of Payments. Monetary financial institutions' (MFIs') data feeds into an array of key measures: Gross Domestic Product, Gross Value Added and Gross Operating Surplus. The interest data feeds into the Income and Capital account, and is also used to calculate implicit service charges (also known as FISIM³). The non-resident breakdown items all feed into the Balance of Payments. The following *Bankstats* article details how changes in international standards have impacted on key series that are collected using Form PL:

www.bankofengland.co.uk/statistics/Documents/ms/articles/art3sep14.pdf

3. Are validations between PL and ER required and what are they?

Due to some definitional differences between Forms ER and PL, direct validations are not applicable. The following document provides guidelines (or 'soft' validations) that institutions can consider when comparing common items. These are available in our cross form document:

www.bankofengland.co.uk/statistics/Documents/reporters/defs/plerxformcheck2016.xlsx.

4. When did the implementation of the latest form take place?

The revised PL form was reported for the first time in May 2016 for reference period 2016 Q1.

5. Is there any guidance on query thresholds for the PL, how are these decided?

Yes there is, this has been sent out to most reporters, and if you have not received it please contact us at SRDDplteam@bankofengland.co.uk. The threshold varies depending on the PL box item. Please note that these thresholds should be treated as guidelines only. Some items have been added to the new PL form to hopefully reduce the amount of queries going forward. There may be a one-off exercise to query amounts reported on items added to the new form.

¹ <http://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-02-13-269>

² <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

³ Financial intermediation Services Indirectly Measured.

6. How are form resubmissions viewed by the Bank?

The General Notes and Definitions document clarifies the Bank's views on form resubmissions.

"The Bank expects statistical returns to be completed with due care and attention.* However, as a result of its quality assurance process and subsequent dialogue with the reporter, revisions may be required. Alternatively, the reporter may identify potential revisions independently and should raise these with the Bank prior to resubmission. If requested to do so by the Bank, reporters must be able to provide corrected returns. Reporters should not put in place any processes or systems that restrict or discourage the resubmission of statistical returns.

*While these general notes and definitions refer to statistical reporting, the Bank also expects regulatory returns to be completed with due care and attention. Reporters should not put in place any processes or systems that restrict or discourage the resubmission of regulatory returns."

The full notes and definitions document can be found here:

www.bankofengland.co.uk/statistics/Pages/reporters/default.aspx

7. If a reporter is aware of revisions to previous reported data, how should this be handled?

If you believe the revision to be material, please discuss this with us before resubmitting the revised data. We are happy to converse with you and manage any potential revisions. It would be useful to know the reason, items affected, magnitude of revision, and how far back the revision goes. We can then take it forward in consultation with you.

8. Does the Prudential Regulatory Authority (PRA) use statistical data for regulatory purposes?

Statistical data collected across the Bank's Statistics and Regulatory Data Division are available to the whole Bank, including the PRA. However the main purpose of Form PL is for statistical collection to feed into the UK National Accounts and Balance of Payments. There are separate regulatory data collections to meet PRA requirements.

9. Is the PL form on OSCA?

Yes, any OSCA related queries should be directed to OSCA.queries@bankofengland.co.uk.

10. Were there any changes to the BG form?

Items BG2 and BG6; interest received and paid on loan capital respectively, were removed from Form BG from 2016 Q1 reporting onwards. The corresponding items on the PL, PL24A (PL24AA) and PL25A (PL25AA) were also excluded.

11. Do you do cross-form checks, including inter-MFI checks?

Yes, this is both for quality assurance purposes and to reduce queries sent to reporting institutions.

12. Why does the PL form collect data on branches and subsidiaries? Where should other group companies be reported?

We distinguish between branches and subsidiaries for compiling Foreign Direct Investment, which contributes to Balance of Payments data published by the ONS. Unless they are an immediately owned branch or subsidiary of the reporting institution we do not require a breakdown of other group companies' profits. We also collect a breakdown of transfer pricing between intra-group enterprises.

13. What is the definition of MFIs other than banks and building societies?

MFIs also include credit unions and money market funds. A list of money market funds in the EU is available [here](#).

14. Where can foreign exchange rates be obtained to revalue foreign currency items?

Form PL captures income and expenditure activity over the quarter and we acknowledge obtaining the exchange rate at the point that activity occurs may not be realistic. Average quarterly rates can be used and these rates are available from the Bank of England [website](#). Please also see Page 9 (item 7bi) of the General Notes and definitions: www.bankofengland.co.uk/statistics/Documents/reporters/defs/def_gene2014.pdf.

15. Will the Bank require retrospective figures on the new form for new items?

In general, we will not require retrospective figures, however we may enquire if historic data for some items are available for validation purposes.

16. Will there be any change to the frequency of reporting of Forms PL and BG?

Both forms will continue to be collected on a quarterly basis from the larger institutions. Annual reporting will also continue for the smaller entities.

17. Is the Bank content for some specific items to be modelled or compiled on a judgement based approach, e.g. Net spread earnings?

We acknowledge in our definitions that some items such as net spread earnings can be compiled on a model based approach or on the judgement of management information. We endeavour to be pragmatic with our reporting requirements and are happy to discuss these on a case by case basis.

Interest received/paid (PL1/PL2)

18. Why has the reporting of interest with building societies been merged with banks?

This is an ONS requirement due to the potentially disclosive nature of the building societies data.

19. How should negative interest be reported?

Negative interest can now be reported on the PL, please see SN [2015/02](#). The Bank intends to publish further guidance on the reporting of negative interest via a future Statistical Notice.

Dividends (PL4/PL17)

20. Does the Bank have a defined list of collective investment schemes?

Not at present, though we may look to provide one in the future. In the meantime please contact us if you have any queries.

21. Do items dividends received from collective investment schemes (PL4B) and money market funds (PL4BA), relate to UK resident institutions or non-residents?

PL items relate to both UK residents and non-residents. The current 4A item captures dividends received from just non-residents and should be equal to PL26 on part 2 of the form.

22. Other statistical returns (e.g. Form CC) allow for the option and/or wider pragmatism in reporting Money Market Funds. For PL4BA, is this the same or is it mandatory?

Whilst this item is mandatory, we are pragmatic and ask money market funds to be reported where identifiable, if institutions face problems in identifying dividends receivable from money market funds, please contact the SRDD PL team to discuss.

23. How should “manufactured” dividends paid on short-selling and other trading activity be reported?

These should be reported on PL17B, manufactured dividends paid.

24. Do you have any examples of manufactured dividends paid?

We have some examples listed in our definitions. We are always open to other examples and happy to clarify and continuously improve our guidance on what we understand is a challenging item for reporters.

25. Should the reporting of dividends that are “priced in” be reported as manufactured dividends?

Dividends that are priced in should not be reported within manufactured dividends. For example, for reverse repos where the dividend has been priced into the contract (i.e. the dividend has been paid) then this should not be reported as a manufactured dividend; any associated interest should still be reported on the repo.

Fees (PL5/PL6)

26. What is the correlation between PL5 and PL27, should PL5A = PL27?

PL5A captures fees and commissions received from non-residents and item PL27 breaks this business further down. PL5A should equal PL27, as stated in validations. Part 1 and Part 2 of Form PL cover MFIs' contribution to GDP and Balance of Payments respectively.

27. Should fee income generated from a loan to a real estate company be assigned in PL5F? What are the equivalent Form AD/AL box items that cover real estate?

The fee income on real estate loans and advances should be reported on PL5FA. Other fees relating to real estate activity should be reported with PL5HA. Boxes 10A and 10B constitute real estate on Forms AD and AL.

Dealing profits and exceptional items (PL8/PL14)

28. Where should the revaluation of foreign currency balances be recorded?

Revaluation effects of foreign currency elements should be reported against the breakdown item they refer too. For example, revaluation effects of securities should be reported in PL8B, for derivatives this is PL8C and loans it is PL8D. Revaluations of provisions on loans should be reported in PL20AF.

29. For PL8T, the alternative definition for trading book asks for available for sale products which under IFRS are classified within the banking book. Can you clarify?

We acknowledge the inconsistency in this regard and have made this clear in our definitions that we mean for available for sale products to be included in the trading book in Form PL. We are happy for PL8T to be reported on a best endeavours basis.

30. Is it acceptable to use in-house definitions regarding the trading and banking book?

Yes so long as it is broadly in line with the PRA definition; please contact us if you are unsure.

31. Where should the profits/losses on tradable loans be reported

These should be reported in PL8D.

32. Where is interest income on derivatives (eg. interest rate swaps) recorded on Form PL?

These should be reported on PL8C, dealing profits on derivatives.

33. Where should revaluations of derivatives be reported?

This should be reported on PL8C.

34. What is an example of a current transfer to be reported in PL14B?

Charitable contributions or other donations to another enterprise where you receive nothing in return should be treated as current transfers.

35. How do fines and compensations differ?

Fines are imposed by regulatory or similar authorities whereas compensation payments relate to customer redress, such as PPI.

Other operating income and expenditure (PL9/PL12)

36. How should a bonus being paid in shares be reported?

All annual bonuses should be reported in annual bonus accruals (PL12AAB) regardless of the method of payment. One-off bonuses should be reported in wages and salaries (PL12AAA).

37. How should adjustments to the prior years' bonus accrual be reported?

Amounts should be reported in the period the activity relates to. For example if there was an adjustment after the Q4 reporting, we would expect a restatement including the adjustment to the Q4 data.

38. How should sick pay and maternity pay be reported?

Both should be reported within wages and salaries (PL12AAA).

39. What should be included in other compensation of employees?

Examples we are aware of are housing accommodation, servicing of vehicles, sports facilities, transportation to work and subsidised childcare. If you have an example about which you are unsure please contact us to discuss.

40. How should deferred bonuses be reported?

These should be included at the point that the deferred bonuses have been accrued and not at the point they have been paid.

41. How should claw backs of bonuses be reported?

This should be reported within item PL14D. These should be reported when reclaimed and not in the period it was initially paid or identified.

42. Should PL12AA equate to the sum of the new 'of which' categories?

Yes. This is in line with the corresponding new PL validations.

43. For a foreign owned bank, if all ESOs are booked to the non-resident parent, how should these be reported?

If these relate to employees of the UK reporting entity then these should be reported on the PL.

44. If we cannot separate out ESOs from our regular wages and salaries what should we do?

It is a requirement to separately report ESOs, however we are happy to be pragmatic if this is a problem and the amounts are relatively immaterial. In this case, please discuss with us.

45. For non-contributory ESOs, is the movement in price to be captured in PL8C?

Yes.

46. When an option is below market price, should it be recorded in PLE?

No, in this circumstance we would assume the option would not be exercised.

47. Does deferred compensation based on performance of share price count as ESOs?

No, ESOs are specifically for stock options. Where there is no 'option' to the employee and compensation is directly related to share price, this should be reported either as an annual bonus (PL12AAB) or regular wages and salaries (PL12AAA).

48. Why do the requirements for reporting of benefits differ on Form PL than from regulatory reporting on P11D?

Form PL aims collect data for the National Accounts framework whereas P11D captures data from a regulatory footing. The requirements from these sources frequently differ.

49. Do benefits in kind due to employees only apply to UK employees?

No, all employees receiving benefits paid for by the reporting entity should be accounted for. Exclude employees receiving benefits paid for by other group companies or by head office.

50. What should be reported in PL23 that would not be part of PL23A?

An example of a non-employee benefit in kind may be subsidising a loan to a charity e.g. an interest-free loan for six months to a charity. We are happy to discuss if a reporter has other examples.

51. Why is box PL23A collected?

This is collected for National Accounts purposes.

52. Would an interest free season ticket loan be reported within PL23A?

Only the interest cost to the employer but not-paid by the employee should be reported here.

Tax (PL16)

53. Where should the Bank Levy be reported?

The Bank Levy should be reported in PL16 but not allocated to either breakdown (PL16A and PL16B).

54. If the Bank Levy is reported at end-year, how does this impact on the accruals principle and reporting of it?

We are happy for the Bank Levy to be reported when it is recognised in the reporter's internal accounts.

Provisions (PL20AA/PL20AD)

55. Should PL20B = BT19CD5C?

Form PL includes any provision for bad and doubtful debts so do include provisions made on securities, derivatives provisions (in addition to loans). Any marked to market movement in the underlying instrument should be recorded in dealing profits/losses. Form BT also collects contingent liabilities whereas Form PL captures activity as it takes place; therefore we would not necessarily expect these two items to equate.

56. How does the new "net transfers" item (PL20AG) requirement relate to the sale and purchase of loan books?

PL20AG will capture the impact of the acquisition of a loan portfolio where either a merger or acquisition of portfolio from a loan issuer takes place. In this process, the bank will acquire the provisions which should be recorded in PL20B and PL20AG will capture the value of provisions "transferred" to the acquiring bank. Further new provisions (PL20AA/AD) or releases (PL20AB) should be recorded that reflect activity over the reporting period. This differs to the purchase (or sale) of a loan book with provisioned/unprovisioned loans. Please see the Annex of the PL definitions for examples of how to report in these instances.

Captive financial institutions

57. What is a captive financial institution? Does this cover all holding companies?

All holding companies along with some special purpose entities (SPEs) are treated as captive financial institutions. The following guidelines come from the European Systems of Accounts Manual.

Captive financial institutions and money lenders subsector consists of all financial corporations and quasi-corporations which are neither engaged in financial intermediation nor in providing financial auxiliary services, and where most of either their assets or their liabilities are not transacted on open markets.

In particular, the following financial corporations and quasi-corporations are classified as captive financial institutions:

(a) units as legal entities such as trusts, estates, agencies accounts or 'brass plate' companies;

(b) holding companies that hold controlling-levels of equity of a group of subsidiary corporations and whose principal activity is owning the group without providing any other service to the businesses in which the equity is held, that is, they do not administer or manage other units;

(c) SPEs that qualify as institutional units and raise funds in open markets to be used by their parent corporation

(d) units which provide financial services exclusively with own funds, or funds provided by a sponsor, to a range of clients and incur the financial risk of the debtor defaulting. Examples are money lenders, corporations engaged in lending to students or for foreign trade from funds received from a sponsor such as a government unit or a non-profit institution, and pawnshops that predominantly engage in lending;

(e) special purpose government funds, usually called sovereign wealth funds, if classified as financial corporations.

Further information on how to identify captive financial institutions is also available on the Bank's website, see www.bankofengland.co.uk/statistics/Documents/faq/cfi.pdf.

58. Is the reporting of captive financial institutions mandatory?

The reporting of captive financial institutions is optional from 2016 Q1 - 2018 Q4 but will be mandatory effective 2019 Q1. For 2016-18 reporting, we ask that the classification of captive financial institutions is kept aligned with reporting on Forms BT/BE/AD/AL- this is to ensure consistent reporting across our statistical returns.

59. Why is there a holding company breakdown under both OFCs and PNFCs?

Previous guidance on other forms had allowed reporting institutions to report holding companies of PNFCs as a PNFC, therefore, so as not to contradict previous guidance we have introduced a holding companies breakdown under both OFCs and PNFCs. Reporting institutions therefore have the option of how they prefer to report, however, whichever approach is taken, we require reporting to be consistent across forms.

Deleted items

60. As item PLM is being removed from Form PL, does this imply that reporters can choose to their own translation method for foreign currency items into sterling?

We are happy for a reporter to employ an appropriate and fit for purpose translation method for foreign currency items into sterling. Some quarterly average exchange rates are available on our website.

61. Tax paid to UK authorities (PL29B) is removed, is this tax being replaced elsewhere, will the total for PL29 remain unchanged?

No, this item is being removed as it is not required as a separate breakdown for National Accounts purposes. PL29 will remain unchanged.

62. Why have the breakdown boxes for PL12BD been removed? The sum of the revised boxes does not equate to the total, is this correct?

The boxes have been removed as they no longer justified collection; we don't believe this will bring any additional queries as most were raised purely on PL12BD. There has been no box added so that the sub-totals have to add to the totals.