



## **Q: What management information re capital should be reported to the Board?**

Since the Board is responsible for strategic decision-making and the oversight of the business it is essential that the reported management information (“MI”) is appropriate for these purposes. The scope of MI provided to the Board should include all necessary areas, including current and forecast capital (or “Own Funds”) requirements and held. The level of detail should be appropriate to facilitate the oversight and decision-making responsibilities of the directors.

Reported MI should be provided to the directors in good time ahead of each Board meeting and it is helpful to use a standardised format, e.g. a Board Reporting Pack. We have a template Board Reporting Pack available from the PACNET website, here: [www.pacnet.info/shop](http://www.pacnet.info/shop)

Specifically, with regard to capital requirements, the Board should receive information on at least the following:

- **Own Funds held** – details of the current level of Own Funds that the firm holds and their composition.
- **Own Funds requirement** – details of the calculation of the Own Funds requirement under the prescribed Method, i.e. Method A, B or C for a Payment Institution (“PI”) or Method D for an Electronic Money Institution (“EMI”).
- **Forecast Own Funds requirement** – the forecast Own Funds should form part of the firm’s routine financial forecasting activities and should be included in the MI reported to the Board. If the firm is a PI, the forecasts could also include calculations using the methods not used by the firm for context and in case a future change is considered appropriate. Forecasts could also include the additional 20% requirement that the FCA are able to levy as a prudent measure of a capital ‘buffer’ that could be maintained.
- **Forecast Own Funds held** – as above, the forecast Own Funds held should form part of the financial forecasting activities and should be included in the MI reported to the Board.
- **Management accounts** should be reported to the Board each time they meet. The preparation of monthly management accounts is typical and would provide the Board with the MI necessary to facilitate the financial management of the business which includes, and has a direct impact on, capital.
- **Financial forecast** information is directly relevant to the management of capital and the ability for the Board to understand the underlying assumptions that drive the calculation of the forecast Own Funds requirement and Own Funds held together with any future potential capital shortfalls that may necessitate capital investment.
- **Key Performance Indicators** (“KPIs”) relating to standard financial measures as well as capital related metrics will help the directors identify changes in trends that could cause potential capital issues. KPIs are typically provided to supplement financial information and qualitative descriptions.