

Policy Statement | PS8/14

# Supervising international banks: the Prudential Regulation Authority's approach to branch supervision

September 2014



BANK OF ENGLAND  
PRUDENTIAL REGULATION  
AUTHORITY



Prudential Regulation Authority  
20 Moorgate  
London EC2R 6DA

Prudential Regulation Authority, registered office: 8 Lothbury, London EC2R 7HH.  
Registered in England and Wales No: 07854923



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## 1 Introduction

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to the responses to the draft rules consulted on in CP4/14<sup>(1)</sup> (the CP). The Annex of this PS contains a finalised rule implementing the PRA's approach. This rule is in the Incoming Firms and Third Country Firms Part of the PRA's Rulebook, and require a firm to take all steps within its control to ensure that its resolution plan provides adequately for the resolution of the UK branch. This will come into force on 5 September 2014. The PRA also consulted on a supervisory statement in the CP setting out the PRA's approach to branches in detail. The final supervisory statement (SS10/14)<sup>(2)</sup> is published alongside this PS.

1.2 The CP also consulted on a rule which would introduce a twice-yearly data return, applicable to all EEA and non-EEA branches, which would provide information about their UK activities. This rule will be brought into force at a later date.

1.3 At consultation, the PRA considered the way in which the policy advances the PRA's objectives, the impact on mutuals, consistency with the Regulatory Principles,<sup>(3)</sup> impact on equality and diversity, and the costs and benefits of the proposed policy. The PRA's findings on these issues are unchanged following consultation and consideration of the feedback received.

1.4 The PRA's response to the feedback received on the proposed rules is addressed in this PS and the PRA's responses to feedback on the consultation on the supervisory statement are addressed in the finalised version of SS10/14.

## 2 The PRA's response to feedback received on the proposed rules

2.1 A number of respondents wanted assurance that when the Branch Return had been developed it had been assessed against existing PRA data requirements to avoid duplication. This has been completed, and has been assessed as not duplicating requirements given the low volume of data the PRA currently receives from branches.

2.2 A number of respondents requested accompanying notes for the Branch Return, as well as a number of detailed questions about what to include in certain fields.

2.3 The PRA is in the process of producing accompanying notes for the Branch Return. The PRA has undertaken a pilot of the Branch Return with 25 branches. Based on both the feedback and the pilot, the PRA has decided it is appropriate to complete a second pilot before publishing the final rule relating to the Branch Return. All branches will be requested to complete a slightly revised Branch Return as part of the second pilot. The Branch Return, and accompanying notes, will be sent to all branches by 30 September 2014, to be returned by 14 November 2014. The 25 branches that have already completed the initial Branch Return as part of the first pilot, with the exception of a few new fields, will be able to use the original submission as long as this has been correctly populated as per the accompanying notes. Following a review and analysis of the second pilot, the PRA will then publish the Branch Return rule, an accompanying policy statement, and the final Branch Return.

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(1) *PRA Consultation Paper CP4/14*, 'Supervising international banks: the Prudential Regulation Authority's approach to branch supervision', February 2014; [www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp414.pdf](http://www.bankofengland.co.uk/pradocuments/publications/cp/2014/cp414.pdf).

(2) *PRA Supervisory Statement SS10/14*, 'Supervising international banks: the Prudential Regulation Authority's approach to branch supervision', September 2014; [www.bankofengland.co.uk/pradocuments/publications/ss/2014/ss1014.pdf](http://www.bankofengland.co.uk/pradocuments/publications/ss/2014/ss1014.pdf).

(3) Section 3B of the Financial Services and Markets Act 2000.

# Appendices

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PRA Rulebook: Branch rules instrument 2014

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Incoming firms and third country firms

**PRA RULEBOOK: BRANCH RULES INSTRUMENT 2014**

**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);
  - (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 instruments) 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: Branch Rules Instrument 2014**

- D. The PRA makes the rules in Annex A and Annex B to this instrument.

**Commencement**

- E. This instrument comes into force on 5 September 2014.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Branch Rules Instrument 2014.

**By order of the Board of the Prudential Regulation Authority**

2 September 2014

## Annex A

### PRA RULEBOOK – GLOSSARY

Amendments to the PRA Rulebook – Glossary

In this Annex, new text is shown underlined and deleted text is shown strikethrough.

...

*designated investment firm*

means an investment firm that has been designated by the PRA under Article 3 of Financial Services and Markets Act 2000 (PRA-regulated Activities) Order (S.I. 2013/556).

...

*third country firm*

means an overseas firm that is not an incoming firm.

...

*UK designated investment firm*

means a *UK undertaking* that is ~~an investment firm that has been designated by the PRA under Article 3 of Financial Services and Markets Act 2000 (PRA-regulated Activities) Order (S.I. 2013/556)~~ a designated investment firm.



## **Annex B**

In this Annex, the text is all new and is not underlined.

**Part**

# **INCOMING FIRMS AND THIRD COUNTRY FIRMS**

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**Chapter content**

- 1. APPLICATION AND DEFINITION**
- 2. ADEQUACY OF RESOLUTION PLAN**

## 1 APPLICATION AND DEFINITION

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1.1 Unless otherwise stated, this Part applies only to:

(1) an *incoming firm*; or

(2) a *third country firm*,

that is:

(3) a *bank*; or

(4) a *designated investment firm*.

1.2 In this Part the following definition shall apply:

*resolution plan*

means, in relation to a *firm*, the plan for the resolution of the *firm* prepared by the authority in the jurisdiction of the *firm's* head office responsible for the *firm's* resolution.

## 2 ADEQUACY OF RESOLUTION PLAN

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2.1 This chapter applies only to a *third country firm* that is:

(1) a *bank*; or

(2) a *designated investment firm*.

2.2 A *firm* must take all steps within its control to ensure that its *resolution plan* provides adequately for the resolution of the *firm's* UK branch.