PRUDENTIAL REGULATION AUTHORITY

DELEGATIONS AND MATTERS RESERVED TO THE BOARD

December 2014
Introduction

1. The PRA Board (the Board) is responsible for managing the affairs of the Prudential Regulation Authority (the PRA), other than in relation to matters which have been reserved by statute or by the PRA’s Articles of Association (as amended from time to time) to the PRA’s sole shareholder, the Bank of England (the Bank).

2. In compliance with Schedule 1ZB to the Financial Services and Markets Act 2000 (FSMA), the Board consists of:
   - the Governor;
   - the Deputy Governor for Prudential Regulation;
   - the Deputy Governor for Financial Stability;
   - the FCA Chief Executive Officer; and
   - appointed directors, appointed by the Court of the Bank (the Court) with the approval of the Treasury.

3. The PRA is given a number of functions under FSMA, certain directly applicable EU legislation, and other UK primary and secondary legislation.

4. The Board recognises that section 3C of FSMA requires the PRA to have regard to such generally-accepted principles of corporate governance as it is reasonable to regard as applicable to it.

5. Paragraph 16(1) of Schedule 1ZB to FSMA provides that the PRA Board may make arrangements for any of its functions (other than its legislative functions, as defined in paragraphs 16(2) and 16(3) of that Schedule) to be discharged by a committee, sub-committee, officer or member of staff of the PRA.

6. This document sets out the matters which the Board has:
   - reserved to itself; and
   - delegated to the PRA’s Chief Executive Officer (the CEO).

7. This document was first approved by the Board on 22 March 2013. It was subsequently amended by the Board on 5 July 2013, 16 December 2013 and 30 September 2013. The current version of the document was approved by the Board on 5 December 2014 (and has effect from 1 January 2015).
MATTERS RESERVED TO THE BOARD

The following matters are reserved to the Board.

(A) Statutory functions

1. Any functions which are required by any enactment to be carried out by the Board.

2. Any decision in relation to those firms referred to in paragraph 4 and any firm or group of firms as determined by the Board from time to time, as to whether Condition 1 for (for the exercise of a stabilisation power) in section 7 of the Banking Act 2009 is satisfied or as to how the PRA should respond to a consultation:
   - on whether Condition 2 in that section is satisfied;
   - required under section 6C(6) of that Act before the making of a mandatory reduction instrument.

(B) Regulatory Policy

3. Agreeing the strategic direction of policy proposals designed to achieve the PRA’s objectives.

4. The matters (including the exercise of the PRA’s statutory powers) described in paragraph 5 below relating to:
   - the most significant deposit-takers, investment firms or insurers whose size, interconnectedness, complexity and business type give them the capacity to cause very significant disruption to the UK financial system (and through that to economic activity more widely) by failing or by carrying on their business in an unsafe manner; and
   - insurers whose size (including number of policyholders) and type of business mean that there is very significant capacity to cause disruption to the interests of a substantial number of policyholders,

   as determined by the Board from time to time.

5. In relation to the firms referred to in paragraph 4, the following matters are reserved to the Board:
   - The adoption by the PRA of a supervisory strategy, prior to its communication to the boards of such firms;
   - The authorisation of such firms;
   - The issuance of statutory notice decisions to such firms where those decisions are required to be taken by the Board in accordance with the PRA’s Statement of Procedure on Statutory Notices (as amended from time to time);
   - Granting, or refusing to grant, applications for approval in respect of Chairmen and Chief Executive Officers of such firms, except applications for approval at the UK branch of an overseas firm where another person, having responsibility
for all the activities of the UK branch, and to whom the applicant will report, has already been approved by the Board;

- Other matters which, in the view of the CEO, are expected to set a significant precedent for the PRA’s use of its legal powers, or its approach to supervision, in relation to such firms. In each case where a decision in relation to such firms is to be taken by a committee of decision-makers, the CEO shall consider whether the matter sets such a precedent and should therefore be decided by the Board.

(C) Strategy and Management

6. Determining the PRA’s strategy required by section 2E of FSMA and any revision to it (the PRA is required to consult the Court on the strategy and any revision to it).

7. Reviewing, on an annual basis, the strategy determined in accordance with section 2E of FSMA.

8. The establishment of any sub-committee of the Board.

9. Appointments of directors to any sub-committee of the Board.

10. Approval of the terms of reference of any sub-committee of the Board.

11. Approval of the management expenses levy limit of the Financial Services Compensation Scheme (FSCS) under section 213 of FSMA.

12. Subject to the matters reserved to the Bank in the Articles of Association, considering (and insofar as required by the Articles making recommendations to the Bank in respect of) performance against the PRA’s strategy, objectives, business plan and budget, and ensuring any necessary corrective action is taken.

13. Ensuring any necessary action arising out of a review carried out by the Oversight Committee of the Court is carried out.

14. Overseeing the discharge of the PRA’s operations by executive management ensuring:

- competent and prudent management;
- sound planning;
- adequate accounting and other records; and
- compliance with statutory obligations.

(D) The PRA’s Budget

15. Making recommendations to the Court as to the PRA’s annual budget, or the variation of it.

16. With the approval of the Court, the adoption of the PRA’s budget, or variations to it.
(E) Risk management, Controls and Litigation

17. Approval of the PRA’s Annual Report to the Treasury and accounts as required by paragraphs 19 and 22 of Schedule 1ZB to FSMA.

18. Receiving quarterly progress reports on the PRA’s Key Policy Priorities.

19. Approval of the risk management policies adopted by the PRA, together with ensuring that those policies are maintained.

20. Reviewing the potential implications of significant legal action being taken by or against the PRA.

(F) Structure and organisation

21. Making recommendations to the Court as to capital projects in excess of £5mn by the PRA.

22. Recommending to Court significant changes in the PRA’s operations and organisation, including contracting out of significant business functions.

23. Making changes in the PRA’s management structure other than those reserved to the Court.

24. Making recommendations to the Court as to changes in the PRA’s management structure which are reserved to the Court.

(G) Appointments

25. Making recommendations to the Court as to the appointment of any Deputy Chief Executive of the PRA, and the persons who have executive responsibility for Banking Regulation, Insurance Regulation and Policy.

26. Appointment of members of the PRA Practitioner Panel (Treasury approval is required for the appointment of the Chair).

27. Appointment of members of the Board of the FSCS (Treasury approval is required for the appointment of the Chair).

28. Appointment of the complaints investigator required under section 84 of the Financial Services Act 2012 (the appointment is made jointly with the FCA and the Bank).

(F) Memoranda of Understanding and Service Level Agreements

29. Approval of the PRA/FCA Memorandum of Understanding required by section 3E of FSMA.

30. Approval of other Memoranda of Understanding and service level agreements which are expected to involve the PRA in significant potential risk or expenditure of more than £5mn.

(G) Public Funds Notifications
31. Where a public funds notification (a PFN) has been issued in relation to a firm, the Board will play an appropriate but proportionate role in both supervisory strategy and decision-making in relation such a firm. In particular:

(a) The Board will be informed of any decision by the Bank to issue a PFN in relation to any firm pursuant to section 58 of the Financial Services Act 2012 (or any decision by the Bank to withdraw a PFN pursuant to section 59 of the Financial Services Act 2012); and

(b) After being notified of the issuance of a PFN, at its next meeting the Board will review the delegation of matters to the CEO, and decide whether it wishes to take oversight of the strategy and material decision-making in relation to the firm in question.

(H) Other matters

32. Such other matters as the Board may determine from time to time should be reserved to it.

Matters for escalation

33. The CEO may (and shall be expected) from time to time to propose matters for escalation to the Board.

34. The matters for escalation are those that, in the CEO’s view, are (or are likely to be) particularly sensitive or controversial, or could have serious consequences for the PRA’s operations.

General Delegation

35. Other than the matters reserved to the Board, the Board delegates authority to manage the affairs of the PRA to the CEO. This includes the exercise of the PRA’s statutory powers.

36. The CEO may further delegate any authority delegated to him by the Board (and, if he so chooses, the authority to make further delegations) as he may think fit.

37. Any delegated matters to which the PRA’s decision-making policy under section 395 of FSMA applies shall be determined in accordance with the terms of that policy.

38. The CEO may (and shall be expected) from time to time to report to the Board on significant decisions taken by him under the delegation in paragraph 35, or by the PRA’s Executive under any further delegation he may make under paragraph 36. Where the CEO, the Supervision, Risk and Policy Committee, or the Executive Committee is considering a particular matter, the relevant decision-maker shall determine whether any decision is sufficiently significant that it should be reported to the Board.

By Order of the Board

5 December 2014