Policy

The Prudential Regulation Authority (PRA) aims to establish and maintain published policy material that is consistent with its objectives, clear in intent, straightforward in its presentation and as concise as possible, so that it is usable by the senior management of firms.

Global and European engagement

Banking and insurance are international industries and, to a large extent, the policy framework for supervising banks and insurance companies is agreed internationally. Therefore effective international cooperation will be essential to the PRA’s success.

The PRA attaches great importance to being an influential and persuasive participant in international policy debates, seeking to achieve agreement at the global and European level to the reforms necessary for a strong, coherent and clear prudential framework for supervision.

At the global level, the PRA is actively involved in the work of the Financial Stability Board, the Basel Committee on Banking Supervision, the International Association of Insurance supervisors, and the Joint Forum. It uses these fora to advance its safety and soundness, and policyholder protection objectives.

As a consequence of the UK’s role as an international financial centre, a key responsibility of the PRA is the supervision of overseas firms operating in the UK, as well as UK groups operating abroad. The PRA engages actively with its overseas counterparts in supervising cross-border firms. To support this, the PRA maintains co-operation agreements including memoranda of understanding with overseas counterparts to enable the sharing of confidential information on cross-border firms. It participates in “supervisory colleges” for firms with significant operations in the UK, and organises and chairs the colleges for UK firms.

European engagement and legislation

The policy standards agreed internationally are implemented in Europe through Directives or directly-applicable Regulations. Therefore the PRA engages actively with relevant European institutions and EU regulators and it is involved in the on-going development and implementation of the single market in financial services. This involves a comprehensive legislative programme, which must be implemented in the UK.

The regulation of financial services across Europe is overseen by a European System of Financial Supervision (ESFS). This is comprised of three European Supervisory Authorities (ESAs):

- The European Banking Authority (EBA)
- The European Securities and Markets Authority (ESMA)
- The European Insurance and Occupational Pensions Authority (EIOPA).

The European Systemic Risk Board (ESRB) is an independent EU body responsible for macro-prudential oversight of the EU financial system.

The PRA is involved in the ESFS and the UK representative on the EBA and EIOPA. The Financial Conduct Authority (FCA) represents the UK at ESMA and the Bank of England is the voting member on the ESRB.

Part of the role of the ESAs is to improve coordination between national supervisory authorities in the EU. They have significant powers to propose draft rules and to take decisions binding on national supervisors, and to a lesser extent, firms. The PRA is involved in ESA working groups that develop rules and guidance.

In future overseas regulators who have not previously contacted the PRA should get in touch where they want assistance or to notify it ahead of contacting PRA-authorised firms.