The Prudential Regulation Authority (PRA) is a part of the Bank of England and responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm.

The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders. It makes an important contribution to the Bank’s core purpose of protecting and enhancing the stability of the UK financial system. There are also statutory requirements – Threshold Conditions – that firms must meet. These include firms maintaining appropriate capital and liquidity, and having suitable management.

The PRA advances its objectives using two key tools. First through regulation, it sets standards or policies that it expects firms to meet. Second through supervision, it assess the risks that firms pose to the PRA’s objectives and, where necessary, take action to reduce them.

The PRA’s approach to regulation and supervision has three characteristics:

- **A judgement-based approach:** The PRA uses judgement in determining whether financial firms are safe and sound, whether insurers provide appropriate protection for policyholders and whether firms continue to meet the Threshold Conditions.

- **A forward-looking approach:** The PRA assesses firms not just against current risks, but also against those that could plausibly arise in the future. Where the PRA judges it necessary to intervene, it generally aims to do so at an early stage.

- **A focused approach:** The PRA focuses on those issues and those firms that pose the greatest risk to the stability of the UK financial system and policyholders.

The PRA approach to supervision does not seek to operate a “zero-failure” regime. Rather, the PRA seeks to ensure that a financial firm which fails does so in a way that avoids significant disruption to the supply of critical financial services.

The PRA’s most significant supervisory decisions are taken by its Board – comprising the Governor of the Bank of England, the Deputy Governor for Financial Stability, the Chief Executive Officer of the PRA (and Deputy Governor for Prudential Regulation), and independent non-executive members. The Board is accountable to Parliament.

The Prudential Regulation Authority is a subsidiary of the Bank of England and is a UK public regulatory body. It has no corporate relationship with Prudential plc or any of its affiliates.