



News release

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Bank of England approach to supervising international banks

The Bank of England has published a Consultation Paper on its approach to supervising international banks. This sets out how the Prudential Regulation Authority (PRA) will supervise UK branches of banks based outside the European Economic Area (EEA) and also explains in more detail the PRA's approach to EEA branches and subsidiaries.

The PRA has a clear framework for all types of firm it supervises, which takes into account the different legal requirements for branches and subsidiaries. For branches from outside the EEA, this framework focuses on two main tests:

- whether the supervision of the firm in its home state is equivalent to that of the PRA; and
- whether the PRA has assurance from the home supervisor over the firm's resolution plan in a way that reduces the impact on financial stability in the UK.

In line with these tests, the PRA will determine whether the firm undertakes any critical economic functions in the UK. Depending on what these are, and their potential impact on UK financial stability, the PRA will make a judgement about whether it is content for the firm to operate as a branch in the UK. This will impact both new and existing branches of non EEA banks.

For subsidiaries, the PRA has the same legal powers and follows the same supervisory model as for UK Headquartered firms. For branches of EEA banks, the PRA's approach is set out under EU law which means that, once CRD IV is fully implemented, the home supervisor is fully responsible for prudential supervision.

Andrew Bailey, Deputy Governor, Prudential Regulation of the Bank of England and CEO of the PRA, said:

“The UK is one of the most open places for banks to operate in the world and we want that to continue. This document sets out our approach to supervising international banks, particularly branches from outside the EEA. It is important that we get the right balance between maintaining our place as an open financial market while delivering our statutory objective of promoting safety and soundness in the firms we supervise. This is crucial for the stability of the UK financial system.”

ENDS

Notes to Editors

1. [CP 4/14 - Supervising international banks: the PRA's approach to branch supervision](#)
2. The Consultation Paper consults on rules in order to support the PRA's ability to supervise branches. This includes a data return to enhance the PRA's understanding of the potential impact that branches could have on UK financial stability. The return will gather quantitative information twice yearly on economic functions being performed by all branches in the United Kingdom.
3. The PRA defines critical economic functions as: retail banking, corporate banking, investment banking, payments, clearing, settlement, custody, intra financial system borrowing and lending.
4. [Regulating international banks - speech by Andrew Bailey](#)
5. [The Prudential Regulation Authority's approach to banking supervision](#)