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News release

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Prudential Regulation Authority consults on extending the Senior Managers Regime to UK branches of non-EEA banks

The Prudential Regulation Authority (PRA) has today published proposals for extending the new Senior Managers Regime to include UK branches of banks based outside the European Economic Area (EEA). The PRA has previously set out how the individual accountability regime will apply to UK banks and, separately, to insurers.

The Chancellor of the Exchequer announced in his Mansion House speech on 12 June 2014 that the Senior Manager's Regime would be extended to cover all banks that operate in the UK, including the branches of non EEA banks.

HM Treasury's consultation to extend the new individual accountability regime to branches of non EEA banks closed on 30 January 2015 and responses were published on 3 March 2015.

Today the PRA is setting out how it will extend the individual accountability regime in an appropriate and proportionate way, to include Senior Managers of branches of non EEA banks. In addition to the branches themselves, these proposals will affect senior individuals within the firms.

The PRA proposes that:

- Branches of non EEA banks will be required to have their most senior individual approved by the PRA as a bespoke Senior Management Function of Head of Overseas Branch.
- Branches of non EEA banks with a dedicated Chief Financial Officer, Chief Risk Officer or Head of Internal Audit will also need to have these individuals approved as senior managers for the branch.
- An individual based in another group entity may require approval as Group Entity Senior Manager of a branch of a non EEA bank if they take direct decisions relating to its management or the conduct of its UK-regulated activities

- Senior Managers in branches of non EEA banks will be subject to a customised set of PRA Prescribed Responsibilities reflecting those areas of a branch’s activities which are subject to regulation in the UK.
- Senior Managers in branches of non EEA banks will be subject to the accountability requirements in the Financial Services and Markets Act, including the requirement to submit a Statement of Responsibilities when applying for approval, the Conduct Rules, the Presumption of Responsibility and any potential ensuing regulatory sanctions.
- Consistent with the approach proposed for UK headquartered firms, the PRA intends to align the scope of its Certification Regime for branches of non EEA banks to that of the Remuneration Rules.
- The PRA will apply all of its Conduct Rules to Senior Managers in branches of non EEA banks, and apply a narrower set of individual Conduct Rules to branch employees within the PRA’s Certification Regime.

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

“We’ve already set out how Senior Managers will be held individually accountable if the areas they are responsible for fail to meet our requirements. Now, this extension to our accountability regime means that senior managers in charge of UK branches of non EEA banks will also be held to the same clear standard of behaviour. If you’re operating in the UK, you will be subject to our rules and therefore the consequences should you fail to follow them correctly.”

The FCA has also today published a feedback statement setting out near-final rules in relation to the Senior Manager’s Regime.

The PRA intends to publish a Policy Statement and final rules on certain aspects of the Senior Manager’s Regime and certification regime for UK firms by the end of March 2015.

ENDS

Notes to Editors

1. [CP9/15: Strengthening accountability in banking: UK branches of foreign firms](#)
2. The PRA has previously published several Consultation Papers setting out how it will use these new powers:
 - [CP14/14: Strengthening accountability in banking: a new regulatory framework for individuals](#)
 - [CP26/14: Senior insurance managers regime: a new regulatory framework for individuals](#)
 - [CP28/14: Strengthening accountability in banking: forms, consequential and transitional aspects](#)

- [CP7/15: Approach to Non-Executive Directors in banking and Solvency II insurance firms & Application of the Presumption of Responsibility to Senior Managers in banking firms](#)
- 3. HM Treasury have decided to apply the Senior Managers and Certification Regime to branches of non EEA banks from 7 March 2016. This will apply to UK banks, building societies, credit unions and PRA regulated investment firms from the same date.
- 4. Due to restrictions on the PRA's supervisory powers over EEA branches under EU law, the PRA's proposals in this Consultation Paper are restricted to UK branches of non EEA banks.
- 5. The criminal offence in Section 36 of the Banking Reform Act relating to a decision causing a financial institution to fail will not apply to branches of non EEA banks - this applies only to Senior Managers of UK banks.
- 6. [Mansion House 2014: Speech by the Chancellor of the Exchequer](#)
- 7. HM Treasury consultation paper: [Regulating individual conduct in banking: UK branches of foreign banks](#)