



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Andrew Bailey
Deputy Governor
Prudential Regulation Authority

19 June 2014

Dear Colleague,

We have published revised versions of the documents that detail the PRA's approach to banking and insurance supervision. This letter provides an overview of the main changes made in the updated versions.

The approach documents, originally published in April last year, describe the PRA's statutory objectives, the approach the PRA takes to advancing them, the expectations that the PRA has of the firms it regulates, and how the PRA assesses firms against them. They have now been updated to clarify the PRA's approach and to take into account legal changes and other developments.

The links to the approach documents can be found here:

<http://www.bankofengland.co.uk/publications/Documents/praapproach/bankingappr1406.pdf>

<http://www.bankofengland.co.uk/publications/Documents/praapproach/insuranceappr1406.pdf>

The main changes to the documents highlight:

- the introduction of the PRA's secondary objective to facilitate competition.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/245766/HoL_Policy_Brief_-_PRA_Competition_Objective.pdf;

- the introduction of the Fundamental Rules replacing the Principles for Businesses. These set out the PRA's high-level expectations of PRA-regulated firms and underpin the new PRA Rulebook.

<http://www.bankofengland.co.uk/pra/Pages/publications/ps/2014/ps514.aspx>; and

- the use of PRA powers to address serious failings in the culture of PRA-regulated firms.

<http://www.bankofengland.co.uk/pra/Pages/publications/powersculture.aspx>

These documents will continue to be updated at least annually. This is in line with our statutory obligation to inform the public and Parliament on how the PRA intends to advance its objectives and provide regulated firms with an understanding of what the PRA expects.

I would also like to draw your attention to the recent release of the PRA's first Annual Report. Both the PRA's and the Bank of England's Annual Reports can be found at:

<http://www.bankofengland.co.uk/publications/Documents/annualreport/2014/prareport.pdf>

I hope the new documents will clarify further the PRA's supervisory approach and thus maintain a stable UK financial system. Please contact your supervisor or the PRA's Firm Enquiries Function if you have any feedback or if you need further information.

Yours faithfully

A handwritten signature in black ink that reads "Andrew Bailey". The signature is written in a cursive style with a prominent loop at the end of the word "Bailey".

Andrew Bailey