PRA rules on diversity within firms’ management body

This letter is a reminder of the important role that diversity plays in promoting good governance, and the obligations on firms in this area.

There is a risk that group-think undermines good governance in firms, leading to decisions which impact the safety and soundness of firms being arrived at without sufficient consideration of a broader range of viewpoints and perspectives.

The publication of the EBA Report on the Benchmarking of Diversity Practices in July showed that just 15% of UK firms surveyed had a policy on promoting diversity on the management body. The rule on establishing a policy to promote diversity on the management body applies to all Capital Requirement Regulation (CRR) firms. Significant firms with a nomination committee must also decide on a target for the representation of the underrepresented gender on the management body, and have a policy to meet this target.

All CRR firms ‘must put in place a policy promoting diversity on the management body’. This is a requirement for all CRR firms from the General Organisational Requirements chapter of the PRA Rulebook. Firms must explain on their website how they comply with this requirement.

Firms should consider diversity when recruiting members to the management body and we are interested in how they have promoted diversity of the people who perform senior management functions.

If you have any questions regarding the content of this letter please speak to your usual supervisory contact.

Yours sincerely

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