BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

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CEO, Prudential Regulation Authority

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Dear CEO

We are today publishing a number of updates in relation to EU withdrawal. These build on our previous communications to firms on their preparations, and the updates we have provided on our regulatory and supervisory approach. A full list of the documents is included in the news release published today.[1]

Today's communications are relevant to all firms authorised and regulated by the PRA, as well as EEA firms undertaking cross-border activities into the UK from the rest of the European Union via passporting.[2] I would, however, like to draw your attention to two particular aspects of the publications which are relevant to banks and insurance firms.

Financial services legislation – all firms

On 27 June 2018, we published a statement setting out our approach to onshoring financial services legislation under the European Union (Withdrawal) Act (EUWA).[3] This approach is intended to ensure that there is a complete and robust legal framework for financial regulation in the UK, whatever the outcome of negotiations between the EU and the UK.

The package of communications we are publishing today sets out changes to our rules and binding technical standards arising out of EU withdrawal. Our approach is to keep the process as simple as possible, and the proposed changes therefore do not reflect any change in our policies, but only update them to reflect the UK's withdrawal from the EU. Our position remains that, in all but a few areas, UK regulated firms do not need to take action now to implement changes in UK law arising from the UK's withdrawal by March 2019.

If the Implementation Period, which has been agreed in principle as part of the UK's Withdrawal Agreement with the EU, takes effect on 29 March 2019, these changes would not take effect until after the end of the Implementation Period. In a scenario in which an Implementation Period is not in place, we expect to exercise the powers that Government has proposed to provide us to grant transitional relief to ensure that firms have sufficient time to comply with the changes. There are certain limited exceptions where we would require firms to act ahead of March 2019, which are set out in further detail in today's release.

Temporary permissions regime – EEA firms currently passporting into the UK

EEA firms undertaking cross-border activities into the UK from the rest of the European Union via passporting and who wish to continue carrying out business in the UK post-withdrawal will require authorisation from the PRA. Firms should continue to plan on the basis that PRA authorisation will only be needed by the end of the Implementation Period. However, in the event that there is no Implementation Period, the temporary permissions regime (TPR) will allow firms to operate for a limited period after

1 'Bank of England's approach to financial services legislation under the European Union (Withdrawal) Act – October 2018': http://www.bankofengland.co.uk/news/2018/october/boes-approach-to-amending-financial-services-legislation-under-the-eu-withdrawal-act-2018.

2 The Bank is also, today, setting out relevant information for Financial Market Infrastructures (FMIs). Please refer to the news release for FMI-related communications.

3 https://www.bankofengland.co.uk/news/2018/june/boes-approach-to-financial-services-legislation-under-the-eu-withdrawal-act.

withdrawal while they seek authorisation from the PRA. The TPR Statutory Instrument is currently being scrutinised by Parliament and yesterday passed an important milestone with a Commons debate on the measure. The package of communications published today provides important information on entry and exit from the TPR, the process for informing the PRA of firms' intention to make use of the TPR, the rules that will apply to firms in the TPR, and transitional relief for some of those rules.

We encourage firms to go through the materials published today carefully and respond on any areas of interest to them, and also to continue engaging with their supervisors on their own planning. Firms that do not have an existing supervisory contact are encouraged to contact us as soon as possible if they wish to seek authorisation from the PRA.

We also note the UK Government's commitment, in December 2017, to lay additional legislation, if necessary, to ensure contractual obligations not covered by the TPR can continue to be met. We will continue to work closely with firms and will provide further guidance in relation to this and other issues relating to EU withdrawal.

Yours sincerely

Sam Woods
Deputy Governor and CEO, Prudential Regulation Authority