BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Please note: This letter has been prepared for the website. Square brackets show where this letter may differ slightly from those versions sent directly to firms.

[Sarah Breeden
Executive Director
UK Deposit Takers Supervision]

[David Bailey
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23 January 2020

Dear [CFO]

The PRA has been monitoring the liquidity positions of the largest and most systemically important banks and investment firms active in the UK against a bespoke risk appetite. This is designed to reflect the potential for market volatility, should the UK leave the European Union without a Withdrawal Agreement, to impact firms' liquidity positions. This risk appetite has been based on the firms' liquidity positions reported through the FSA047/048 returns and expressed as a minimum survival period calculated under different wholesale stress scenarios.

The parliamentary stages of the European Union (Withdrawal Agreement) Bill were completed on 22 January. The likelihood that the UK leaves the EU without a Withdrawal Agreement now appears very low. Therefore, the PRA no longer considers the bespoke risk appetite to be required.

Following the third extension of Article 50, in October 2019, we asked the firms to continue to submit FSA047/048 returns after 31 December 2019, the date at which we had previously planned to cease their collection, to facilitate the continued monitoring against the bespoke risk appetite. With the change in risk appetite, we can confirm that firms are no longer expected to submit these returns after today's date.

However, where firms had been asked to continue reporting their FSA047/048 returns after 31 December 2019, we ask that they maintain this capability to report, if required, until the end of February 2020.

This letter refers only to enhanced liquidity monitoring by the PRA in the lead up to EU withdrawal. Liquidity coverage and other business as usual obligations (including firm-specific Pillar 2 guidance) are unchanged and continue to apply. In line with published PRA policy, we also expect firms to continue to manage their liquidity positions on an individual currency basis prudently.

Firms should continue to assess, manage and mitigate risks arising from the UK's withdrawal from the European Union on an ongoing basis. In particular, we expect firms to remain mindful of the operational implications of withdrawal, ensuring they are able to maintain good governance and manage their post-Brexit operations appropriately. We will continue to support and engage with firms in these areas during the course of this year.

If you have any questions on the contents of this letter please do not hesitate to speak to your usual supervisory contact.

Yours faithfully

Sarah Breeden

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