



International banks

Introduction

Internationally headquartered banks can operate in the United Kingdom either as subsidiaries or as branches.

The PRA has the same legal powers and follows broadly the same supervisory framework for international banks as for UK-headquartered firms (refer to [PRA's Approach to Banking Supervision pp152](#)). The PRA is currently consulting on a supervisory statement ([CP2/21](#)) which sets out the PRA's holistic approach to the host supervision of international banks, whatever their legal form. The new supervisory statement will set out the PRA's expectations of branches and subsidiaries and provide details about the PRA's expectations when assessing whether they meet the Threshold Conditions and in particular whether they are capable of being effectively supervised. It is intended that the new supervisory statement will replace Supervisory Statement 1/18 in due course.

Subsidiaries

As a separate legal entity, a subsidiary will be authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

The PRA's approach to supervising a subsidiary will depend on the nature and size of the business that the bank undertakes, but the bank will be required to meet the PRA's [Threshold Conditions](#) at all times. In particular, a subsidiary must have its own financial resources (i.e. it must be capitalised and hold liquidity levels as determined by the PRA) and its own non-financial resources (such as appropriate governance arrangements including a board, a suitable risk management framework and systems which are fit for purpose). There must also be sufficient supervisory co-operation with the Home State Supervisor (HSS).

The FCA is the conduct regulator for all banks operating in the United Kingdom. For subsidiaries, the FCA's Threshold Conditions and conduct of business rules apply, including in areas such as anti-money laundering.

A subsidiary's eligible deposits are protected by the [Financial Services Compensation Scheme](#) (UK deposit guarantee scheme) therefore it will be subject to regulations concerning UK depositor protection.

Branches

A branch is a place of business which forms a legally dependent part of a bank; it is not a separate legal entity from its parent and so will not be separately capitalised and will not have its own board.

Consequently the PRA expects the *whole firm* to meet the PRA's Threshold Conditions (rather than just the branch). Responsibilities for prudential supervision will be split between the parent's HSS and the PRA, and supervisory co-operation is required.

For branches the FCA's Threshold Conditions and conduct of business rules apply, including areas such as anti-money laundering.

Eligible deposits placed in branches may be covered by the UK deposit guarantee scheme and therefore branches may be subject to regulations concerning UK depositor protection.

If you are considering establishing a branch in the United Kingdom you should also see the [PRA's Policy Statement 8/15 Supervising international banks: the Branch Return](#).

Next steps

If you are an internationally headquartered bank considering setting up a subsidiary and/or branch in the United Kingdom you should review the pages on the new bank authorisation process and then contact us.

Other contacts

The [Association of Foreign Banks](#) represents the foreign banking sector providing financial services throughout the United Kingdom.

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