



## The PRA's and FCA's Threshold Conditions

Part 4A (PERMISSION TO CARRY ON REGULATED ACTIVITIES) of the [Financial Services and Markets Act 2000](#) (FSMA) and Schedule 6 to FSMA set out the requirements for new firm authorisations and each regulator's Threshold Conditions that must be met by a firm **at authorisation and on an ongoing basis**.

As such their Threshold Conditions will **form the basis** of each respective regulator's assessment of your application. In short, both regulators will assess whether your new bank, if it were authorised, **would meet and continue to meet** their Threshold Conditions.

This section includes more detail on the:

- Prudential Regulation Authority's (PRA) Threshold Conditions; and
- Financial Conduct Authority's (FCA) Threshold Conditions.

There are a number of similarities between each regulator's Threshold Conditions. However, the PRA's assessment will naturally focus on its statutory objective to promote the safety and soundness of PRA-authorised persons. The FCA's assessment will focus on its statutory objectives of protecting consumers; protecting and enhancing the integrity of the UK financial system; and promoting effective competition in the interests of consumers.

### The PRA's Threshold Conditions

The PRA's statutory Threshold Conditions, which set out the minimum requirements that firms must meet in order to be permitted to carry on the regulated activities in which they engage, are designed to promote safety and soundness and are crucial to the operation of the PRA's regulatory regime.

In broad terms, they require firms to have an appropriate amount and quality of capital and liquidity, to have appropriate resources to measure, monitor and manage risk, to be fit and proper, conduct their business prudently and be capable of being effectively supervised by the PRA.

The PRA's statutory Threshold Conditions for banks are:

- **Legal status** – Deposit-takers must be bodies corporate or partnerships.
- **Location of offices** – A UK incorporated corporate body must maintain its head offices and, if one exists, its registered office in the United Kingdom.
- **Prudent conduct of business** – The applicant must conduct its business in a prudent matter, which includes having appropriate financial and non-financial resources.

- **Suitability** – The applicant must satisfy the PRA that it is a ‘fit and proper’ person with regard to all circumstances to conduct a regulated activity.
- **Effective supervision** – The applicant must be capable of being effectively supervised by the PRA.

**The PRA expects firms not merely to meet and continue to meet the letter of these requirements, but also to consider the overriding principle of safety and soundness.**

For further details see [The Prudential Regulation Authority’s approach to banking supervision](#).

### **The FCA’s Threshold Conditions**

As with the PRA’s Threshold Conditions, the FCA’s Threshold Conditions represent the minimum conditions for which the FCA is responsible, which a firm is required to satisfy, and continue to satisfy, in order to be given and to retain Part 4A permission.

The [FCA’s Threshold Conditions](#) for banks are:

- **Effective supervision** – The firm must be capable of being effectively supervised by the FCA.
- **Appropriate non-financial resources** – The firm’s non-financial resources must be appropriate in relation to the regulated activities it seeks to carry on, having regard to the FCA’s operational objectives.
- **Suitability** – The firm must be a fit and proper person. The applicant firm’s management have adequate skills and experience and act with integrity (fitness and propriety). The firm has appropriate policies and procedures in place and the firm appropriately manages conflicts of interest.
- **Business model** – The firm’s strategy for doing business is suitable for a person carrying on the regulated activities it undertakes or seeks to carry on and does not pose a risk to the FCA’s objectives.

January 2016