

Policy Statement | PS20/19

Strengthening individual accountability: Resolution assessments and reporting amendments

September 2019



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1 Overview

1.1 This Prudential Regulation Authority (PRA) Policy Statement (PS) provides feedback to responses to Consultation Paper (CP) 12/19 'Strengthening individual accountability: Resolution assessments and reporting amendments'.¹

1.2 This PS also contains the PRA's final policy in respect of amendments to:

- the prescribed responsibility (PR) for recovery plans and resolution packs contained in the Allocation of Responsibilities part of the PRA Rulebook (Appendix 1);
- Supervisory Statement (SS) 28/15 'Strengthening individual accountability in banking' (Appendix 2); and
- the form 'Senior Managers Regime: Statement of Responsibilities' (SoR form) (Appendix 3).

Background

1.3 In CP12/19, the PRA proposed to:

- amend the PR for recovery plans and resolution packs to include, where relevant, a responsibility for oversight of resolution assessments, contingent on the PRA adopting new rules in respect of resolution assessments. This is relevant to those UK banks and building societies with £50 billion or more in retail deposits on an individual or consolidated basis at the date of their most recent annual accounts (in scope) firms;
- make a consequential change to SS28/15, in which this PR is used to illustrate the PRA's expectations as to the clarity and level of detail to be included among the free text in a Senior Manager's Statement of Responsibilities. SS28/15 is relevant to all banks, building societies, credit unions and PRA-designated investment firms; and
- introduce minor amendments to the SoR form to ensure more consistency between the wording of the PRs as they appear in the form compared to the PRA Rulebook and the Financial Conduct Authority (FCA) Handbook. The SoR form is relevant to all PRA-regulated firms, including credit unions and small non-Directive insurers.

Responses

1.4 The PRA received one response to the points raised in CP12/19. This was supportive of the proposed amendments to the wording of the PR for recovery and resolution and minor amendments to the SoR form. This response additionally called for the alignment of the wording used in the PRA Rulebook and the FCA Handbook as well as with the SoR form to describe the prescribed responsibilities that must be assigned to one or more Senior Management Function (SMF) holders under the Senior Managers and Certification Regime (SM&CR). It noted that at present there are some differences in the wording used between the PRA Rulebook and the FCA Handbook. There were no other comments directed to the specific policy and administrative proposed changes set out in CP12/19, or the policy development process in respect of these proposals.

¹ Page 2 of 2, June 2019: www.bankofengland.co.uk/prudential-regulation/publication/2019/strengthening-individual-accountability-resolution-assessments-and-reporting-amendments.

Changes to draft policy

1.5 In the absence of feedback questioning the proposed changes set out in CP12/19, the PRA will implement these proposals with a small modification to the revised wording for SS28/15. This decision also reflects the PRA's publication of its final rules and PS15/19 'Resolution assessment and public disclosure by firms' setting out the PRA's requirements in respect of resolution assessments.²

1.6 In respect of SS28/15, the PRA has amended the illustrative text to refer to the Senior Manager with a PR covering resolution assessments overseeing the 'report of the' resolution assessment being presented to the management body for approval before submission to the PRA. This would better align the wording with Part 3 of the Resolution Assessment Part of the PRA Rulebook and the wording of SS4/19 'Resolution assessment and public disclosure by firms'.³ The PRA has also added a cross reference to the Resolution Assessment part of the Rulebook.

Feedback to the responses

1.7 The PRA and FCA acknowledge that there are stylistic differences between PRA and FCA SM&CR rules as regards the precise wording of the PRs, while the definitions in the SoR form are a simplified explanation of both regulators' definitions of PRs. This matter was not consulted on in CP12/19, and it would therefore require the PRA (alongside the FCA) to undertake a new consultation to bring about such an alignment. As the differences are stylistic, we do not propose to make further changes to this form at present, but we will keep this under review.

Implementation

1.8 All changes outlined in this PS will take effect from Monday 9 December 2019.

1.9 The policy set out in this PS has been designed in the context of the current UK and EU regulatory framework. The PRA will keep the policy under review to assess whether any changes would be required due to changes in the UK regulatory framework, including those arising once any new arrangements with the European Union take effect.

1.10 In the event that the UK leaves the EU with no implementation period in place, the PRA has assessed that the policy would not need to be amended under the EU (Withdrawal) Act 2018 (EUWA). Please see PS5/19 'The Bank of England's amendments to financial services legislation under the European Union (Withdrawal) Act 2018'⁴ for further details.

1.11 The final SS28/15 attached to this PS should be read in conjunction with SS1/19 'Non-binding PRA materials: The PRA's approach after the UK's withdrawal from the EU'.⁵

1.12 As this policy relates to reporting forms it should be read in conjunction with SS2/19 'PRA approach to interpreting reporting and disclosure requirements and regulatory transactions forms after the UK's withdrawal from the EU'.⁶

² July 2019: www.bankofengland.co.uk/prudential-regulation/publication/2018/resolution-assessment-and-public-disclosure-by-firms.

³ July 2019: www.bankofengland.co.uk/prudential-regulation/publication/2019/resolution-assessment-and-public-disclosure-by-firms-ss.

⁴ April 2019: <https://www.bankofengland.co.uk/paper/2019/the-boes-amendments-to-financial-services-legislation-under-the-eu-withdrawal-act-2018>

⁵ February 2019: www.bankofengland.co.uk/prudential-regulation/publication/2019/non-binding-pra-materials-the-pras-approach-after-the-uks-withdrawal-from-the-eu-ss.

⁶ February 2019: www.bankofengland.co.uk/prudential-regulation/publication/2019/pras-approach-to-interpreting-reporting-and-disclosure-regs-and-reg-trans-forms-ss.

Appendices

- 1 PRA RULEBOOK: CRR FIRMS: NON CRR FIRMS: SOLVENCY II FIRMS: NON SOLVENCY II FIRMS: ALLOCATION OF RESPONSIBILITIES AND NOTIFICATIONS INSTRUMENT 2019 available at: www.bankofengland.co.uk/prudential-regulation/publication/2019/strengthening-individual-accountability-resolution-assessments-and-reporting-amendments.

- 2 Updated SS28/15 'Strengthening individual accountability in banking' available at: www.bankofengland.co.uk/prudential-regulation/publication/2015/strengthening-individual-accountability-in-banking-ss.

- 3 Updated 'Senior Managers Regime: Statement of Responsibilities' form available at: www.bankofengland.co.uk/prudential-regulation/authorisations/senior-managers-regime-approvals.