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News release

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Bank of England publishes approach to supervising international banks: the Prudential Regulation Authority's approach to branch supervision

The Bank of England has published its final policy approach to supervising international banks confirming proposals which were consulted on earlier this year. This sets out how the Prudential Regulation Authority (PRA) will supervise UK branches of banks based outside the European Economic Area (EEA) and also explains in more detail the PRA's approach to subsidiaries and EEA branches.

Internationally headquartered banks can operate in the UK either as subsidiaries or as branches. The approach published today sets out a framework which takes into account the different legal requirements for branches and subsidiaries.

For branches from outside the EEA, this framework focuses on three main factors:

- Whether the home state supervision of the firm is equivalent to that of the PRA;
- the branch's UK activities such as whether they will undertake wholesale or retail banking activities; and
- whether the PRA has assurance from the home supervisor over the firm's resolution plan in a way that reduces the impact on financial stability in the UK.

Where the PRA is satisfied of these factors, it will also need to have a clear and agreed split of prudential supervisory responsibilities with the home state supervisor. Where the PRA is not content, it will consider the most appropriate course of action, which could include refusing authorisation of a new branch or cancelling an authorisation of an existing branch.

To implement this approach, the PRA has introduced a new rule which requires internationally headquartered banks to take all steps within their control to ensure that their resolution plan provides adequately for the resolution of the UK branch. This rule comes into force today.