

**Bank of England PRA**

# Appendices to CP11/24 – International firms: Updates to SS5/21 and branch reporting

July 2024

Draft for consultation



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# 1: Draft amendments to supervisory statement 5/21 – International banks: The PRA’s approach to branch and subsidiary supervision

## Introduction

1.1 This Supervisory Statement (SS) expands on the Prudential Regulation Authority’s (PRA’s) approach to banking supervision.<sup>1</sup> It applies to all PRA-authorized banks and designated investment firms that are headquartered outside of the UK or are part of a group based outside of the UK.<sup>2</sup> In this SS, such firms are referred to as ‘international banks’. It therefore covers those firms operating in the UK as a subsidiary or through a branch. In addition, the sections on the PRA’s expectations of booking arrangements [Chapter 4] also apply to all PRA-authorized banks and designated investment firms that are headquartered in the UK or are part of a group based in the UK, and have investment banking or sales and trading activities in both the UK and overseas. In this SS, these firms are denoted ‘UK trading banks’. These sections comprise paragraphs 4.1(d), 4.20, 4.23-4.46A, 5.14-5.16 and the Annex on Context and definitions. Accordingly, this SS replaces SS1/18 SS5/21 – International banks: the Prudential Regulation Authority’s approach to branch authorisation and supervision.<sup>3</sup>

1.2 ~~Although this SS largely consolidates the PRA’s existing approach to international banks, the PRA recognises that firms (including firms operating with deemed authorisations under the temporary permissions regime (TPR)) may need additional time to adjust. Accordingly, the PRA will adopt a proportionate approach to implementation. Firms operating under the TPR will not need to meet the expectations in this SS immediately, but will need to do so as soon as practicable (taking into account their individual business model and systemic impact), and in any event by the time they are authorised by the PRA and exit the TPR. As part of pre-authorisation discussions, the PRA will expect such firms to demonstrate how they intend to meet these expectations. The PRA expects all other authorised firms within the scope of this SS to meet the expectations set out within a reasonable time, taking into account the firm’s current position and the scale of change that~~

<sup>1</sup> October 2018 <https://www.bankofengland.co.uk/prudential-regulation/publication/pras-approach-to-supervision-of-the-banking-and-insurance-sectors>

<sup>2</sup> PRA designated investment firms list <https://www.bankofengland.co.uk/prudential-regulation/authorisations/which-firms-does-the-pra-regulate>

<sup>3</sup> March 2018: ~~International banks: the Prudential Regulation Authority’s approach to branch authorisation and supervision | Bank of England~~ [International banks: the Prudential Regulation Authority’s approach to branch authorisation and supervision | Bank of England SS5/21 'International banks: The PRA's approach to branch and subsidiary supervision' \(bankofengland.co.uk\)](https://www.bankofengland.co.uk/prudential-regulation/authorisations/which-firms-does-the-pra-regulate)

~~might be required. These firms should provide their supervisors with a clear explanation of any gaps they need to address and their proposed timeframe for doing so.~~

1.3 Many of the expectations in this SS apply both to subsidiaries and to firms operating through a UK branch. To the extent possible, this SS seeks to draw a distinction between the PRA's expectations which are specific to UK branches or to UK subsidiaries (rather than those that apply to both). While this SS draws out and elaborates on matters discussed in other SSs that are particularly relevant for international banks, it is to be read with, and does not replace, international banks' obligations under applicable legislation, the PRA's rules, and the expectations set out in its policy publications.<sup>5</sup>

1.4 This SS sets out the PRA's expectations for receiving information concerning the risks in the wider group and co-operation from other supervisory authorities concerned with the firm or its wider group.<sup>6</sup> ~~This is~~ both necessary for the PRA to be satisfied that the international bank is meeting threshold conditions, particularly the threshold condition concerning the effective supervision of the firm. This SS also sets out expectations of international banks in meeting the threshold condition on the prudent conduct of business, including their systems and controls and risk management, and the Fundamental Rules 3, 5, 6, 7, and 8 and the General Organisational Requirements.

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Figure 1: PRA expectations for effective supervision

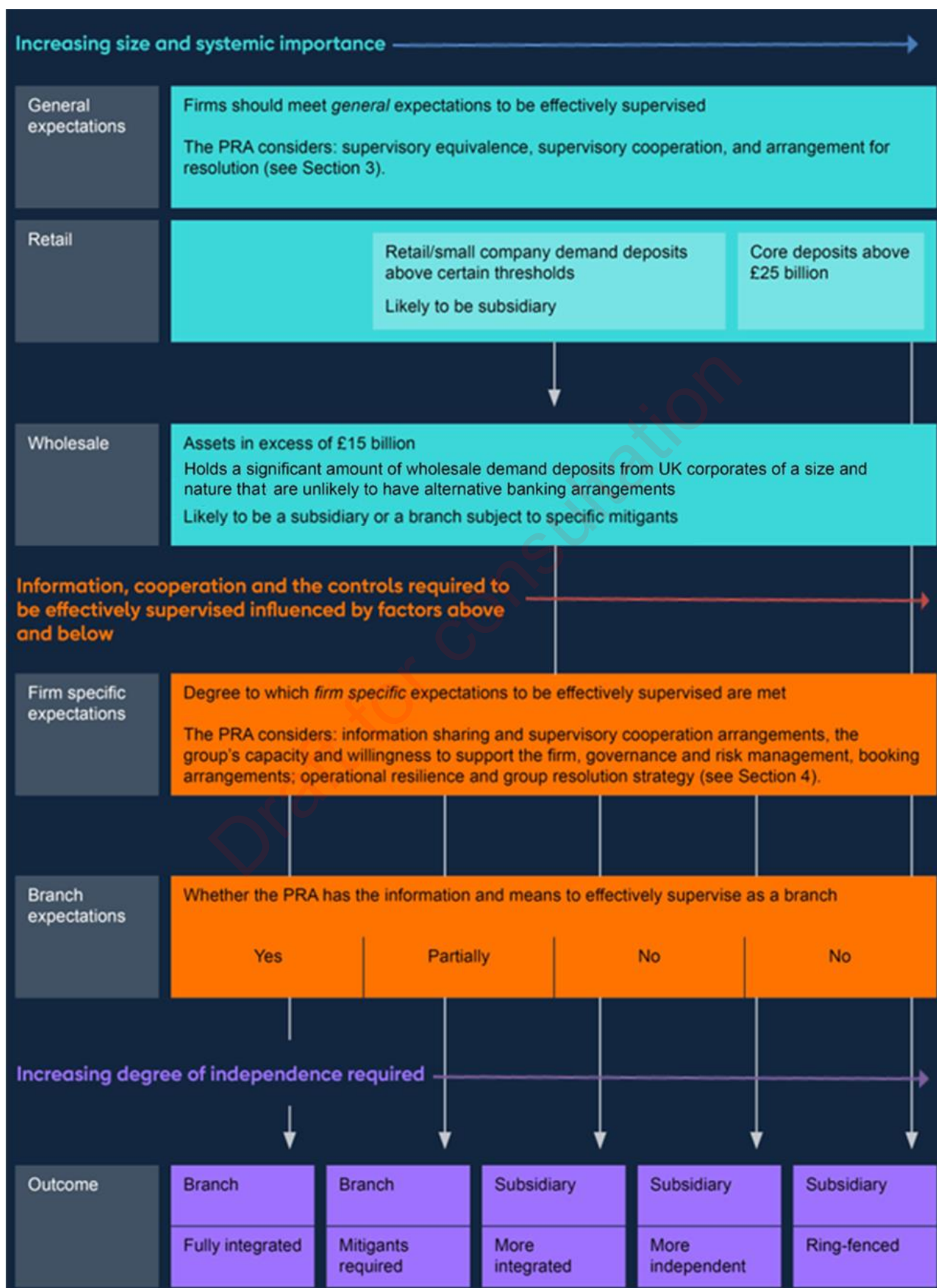


Figure 1: PRA expectations for effective supervision



## General expectations for effective supervision

### a) Equivalence

3.6 The PRA's supervisory equivalence assessments, as well as its approach to how it prioritises such assessments, are reviewed periodically. The frequency of review is determined by the number, size, and systemic importance of the firms from a home state. The assessments of the home state supervisor focus on the degree to which the home state supervisor's regime is compliant with the Basel principles in terms of supervisory approach, tools, and practices. In performing the assessments, the PRA will base its analysis, where appropriate, on:

- the Basel capital and group supervision standards;
- the Basel Committee's Regulatory Consistency Assessment Programme reviews;<sup>4</sup>
- the International Monetary Fund's Financial Sector Assessment Programme reviews;<sup>5</sup> and
- the Financial Stability Board's (FSB) peer reviews;<sup>6</sup>
- ~~where appropriate, supplemented by~~ and/or other sources as necessary.

The PRA will also take account of its own experiences in its interactions with the home state supervisors. It will also be important for the PRA to factor in any conduct concerns that the FCA may raise concerning a jurisdiction.

### b) Supervisory Co-operation

3.18A Firms that intend to innovate in the way that they take deposits from retail customers (eg by taking 'tokenised' deposits) should do so in a manner consistent with the PRA's relevant letter to deposit-takers.<sup>7</sup>

## ~~4~~ The information, co-operation, and controls necessary for to be effectively supervised

### Firm-specific expectations for effective supervision

4.5 For each firm that is part of an international group bank, commensurate with its systemic importance and the degree of cross-border integration of its UK business, the PRA:

<sup>4</sup> <https://www.bis.org/bcbs/publ/d482.htm>

<sup>5</sup> <https://www.imf.org/en/Publications/fsap>

<sup>6</sup> [https://www.fsb.org/work-of-the-fsb/implementation-monitoring/peer\\_reviews/](https://www.fsb.org/work-of-the-fsb/implementation-monitoring/peer_reviews/)

<sup>7</sup> Innovations in the use by deposit-takers of deposits, e-money and regulated stablecoins.

- ~~expects to have insight~~ aims to contribute to the supervisory strategy for the group as a whole, and to have insight into the group supervisory strategy, and will aim to contribute to it, as necessary to achieve the PRA's objectives;
- expects to agree with the home state supervisor how best to co-ordinate supervisory work where common areas of interest are identified, and to undertake supervisory work in conjunction with the home state supervisor. This could include joint visits to the UK subsidiary or branch in appropriate cases where both the PRA and the home state supervisor have prioritised work in particular areas. ~~It could also include~~ the PRA having direct access to management in the international group or parent where that is relevant to the PRA's understanding of strategy and risks that may affect the UK operations, or undertaking joint supervisory work on the wider group operations, where such operations have a nexus to the UK;
- expects to have a regular and proactive exchange of supervisory assessments with the home state supervisor, such as the results of firm visits or analyses in areas that are of particular relevance to the UK entity;
- expects a prompt exchange of information and proactive notification of issues materially relevant to the UK entity;
- expects to have access to information on governance and financial resilience for the international bank firm as a whole, and the group of which it is part, where it is relevant for the PRA's supervision of the international bank and the PRA's objectives; and
- needs to be satisfied, in consultation with the Bank as UK resolution authority, that the resolution authority or authorities in the relevant home jurisdictions for the group have adequate powers and plans for the group's resolution.

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### **Box 1: The PRA's expectations for information sharing**

#### **The PRA's expectations for access to information to ensure appropriate visibility of the financial and operational risks of international banks**

The PRA ~~needs~~ expects to receive sufficient information on risks in the group to which the international bank belongs to be satisfied that the threshold condition relating to the PRA's ability to supervise the firm effectively is met. This information may be provided by the home state supervisor or by the firm. The information that the PRA expects to have access to will be proportionate, tailored to the firm's activities and structure, and focused on those group risks which have a direct bearing on the risk profile of the international bank in the context of the PRA's objectives (for example global trading business lines for which risk is managed in, originated in, or booked to the UK entity). Some information is likely to be provided on a regular basis and some in response to ad hoc requests or particular events.

These will vary according to:



- the bank firm's potential impact on the financial stability of the UK economy PRA's objectives;
- the degree of interconnection of the UK operations with the overseas part of the firm and group;
- whether the markets in which the firm and group operates are functioning normally or are stressed; and
- any idiosyncratic stresses affecting the firm and its proximity to failure.

The firms and groups in respect of which the PRA would expect to receive the most information are therefore the largest UK subsidiaries and the systemic branches, including those belonging to groups designated as globally systemically important, and those which are most interconnected with the group's overseas business.

In addition to regular information flows, during a group or market-wide stress events, the PRA will expect information from the home state supervisor and the firm on the nature, cause, and extent of any idiosyncratic or broader market stress, and the frequency and scope of the information shared in some key areas, notably liquidity and profit and loss, will usually need to increase, even for small firms.

### Baseline information

The PRA expects, when requested, access to certain categories of information from all international banks, both in times of crisis and normal business, namely proportionate and timely information on:

- the nature of the international bank firm's and its group's business model, and any material changes in it, to the extent that they could have a material impact upon the firm international bank or the group's ability or willingness to support it;
- the financial resilience of the firm and the firm's immediate (and ultimate, if different) overseas parent, or the consolidated international financial group to which the firm belongs. Information on financial resilience includes capital and liquidity positions relative to relevant regulatory requirements;
- the operational resilience of the firm and group, including risks arising elsewhere in the group that may affect the ability of the firm to deliver its important business services or critical operations (such as those provided through intragroup outsourcing or other inter-affiliate arrangements);<sup>8</sup>
- material risks to the firm's survival emanating from any group to which it belongs, including enforcement or legal actions;

<sup>8</sup> Important business services refers to services as defined in the Operational Continuity Part of the PRA Rulebook which applies to CRR firms – ie UK subsidiaries of international groups. Critical operations refers to services as defined in the Basel Committee on Banking Supervision's 'Principles for Operational Resilience' (March 2021), found at <https://www.bis.org/bcbs/publ/d516.pdf>, and is relevant for UK branches

- the group's recovery plan, including details regarding financial and non-financial dependencies between group entities, consistency of recovery operations, and the impact of group recovery options on the UK firm; and
- resolution planning, including information regarding the group's preparations for resolution consistent with Fundamental Rule 8 (the PRA, and the Bank as resolution authority, will discuss with one or both among the home state supervisor and home resolution authority, and then consider if any additional information is required from the firm).

Under normal market conditions, the PRA will usually only expect to receive more than this baseline of information ~~only~~ for those international banks that have the potential to cause some disruption to the UK financial system. For the smallest firms, the PRA will seek to obtain most of this information from the firm's home state supervisor during its routine supervisory engagement and in keeping with arrangements described in any relevant Memorandum of Understanding (MoU).

### **Additional information expected for highly integrated or systemically significant businesses**

The PRA expects to receive additional information in situations where a firm's business model or operations are highly integrated with its group's overseas business and where it is ~~significant~~ systemically significant.

Many firms typically run their investment banking and trading activities on a global basis, sometimes with complex booking arrangements ~~(see also Box 2)~~. The PRA needs to understand the portion of global risk that is managed in the UK, what UK risk is managed elsewhere, and how the UK business performance sits within the overall performance of the firm and group. For trading activities, timely information on business line performance is a critical indicator of emerging market and firm-specific risks. Where an international bank plans to make material changes to their booking arrangements that could impact how their risk management operates, the PRA would expect to be informed [see Section 4]. For a highly integrated international bank firms that rely on global systems, or on a third party such as a ~~including~~ custodians, the PRA may expect additional information relating to group operational resilience and the performance of group IT systems.

[END of BOX1]

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4.15 The UK subsidiary or branch should establish, implement, and maintain adequate risk management policies and procedures, including effective procedures for risk assessment, which identify the risks relating to its activities, processes, and systems, and where

appropriate, set its risk appetite or the level of risk tolerated.<sup>9</sup> As noted in the PRA's approach to banking supervision, senior management should embed the principle of safety and soundness in the culture of their organisation.<sup>10</sup>

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<sup>9</sup> [Internal governance of third country branches | Bank of England](#) and the General Organisational Requirements [Part](#) of the PRA Rulebook

<sup>10</sup> Paragraph 462, [July 2023](#) ~~October 2018~~: <https://bankofengland.co.uk/prudential-regulation/publication/2018/pru-approach-documents-2018> [The Prudential Regulation Authority's approach to banking supervision.](#)

## d) Booking arrangements and controls

4.24 ~~The PRA is open to firms operating a diverse range of booking arrangements, including globally integrated structures, provided that they meet the PRA's expectations as set out in Box 2.~~

~~4.25 By booking arrangements, the PRA means the front-to-back lifecycle of trading, from origination, trade execution, risk capture and transfer, through to back-office settlement. The PRA seeks to ensure that firms have appropriate controls for the full lifecycle of their trades. At the start of the lifecycle, a firm should include within its control framework those traders managing the risk directly and those facilitating the execution and delivery of risk to the firm's balance sheet, such as sales people or sales traders.~~

4.24A The PRA has a number of expectations concerning how international banks and UK trading banks should organise their booking arrangements in order to meet the threshold condition on the prudent conduct of business, their obligations under Fundamental Rules 3, 5, 6 and 8, and under the General Organisational Requirements (GOR) relating to risk management and resolvability. The PRA also has an expectation under Fundamental Rule 7 and General Notification Requirement 2.3(1) that a firm should inform the PRA when it plans to make material changes to its booking arrangements that could impact how its risk management operates.

Scope of application: international and UK trading banks

4.24B The expectations of a firm's booking arrangements set out in this section are applicable to all international banks and UK trading banks. In terms of activity, the PRA's expectations in Box 2 of booking arrangements relate primarily to the trading book. However, the PRA recognises that some of items housed in the banking book will pose similar risks given their nature eg material cross-border funding and lending transactions, and firms banks should consider whether and how their booking frameworks and controls should be extended to cover these cases. The PRA will apply these expectations in a manner that is proportionate to the level of investment banking or sales and trading activity that the firm undertakes.

### Early engagement with the PRA

4.25A Many PRA authorised firms use centralised booking hubs, where the market risk of a given product is managed from a single location, for a large element of their trading activity. This can have advantages for the efficiency of their hedging and the quality of their risk management as well as the benefits of expert specialisation, the pooling of dedicated resources and streamlined operational processes. The PRA is, however, open to firms banks operating a diverse range of booking arrangements, including globally integrated structures,

provided that they establish systems and controls that are appropriate for those particular booking structures and meets the PRA's expectations as set out in this supervisory statement. ~~Box 2~~. See the Annex for background descriptions of various booking practices.

4.25B Where a bank plans to make changes to its booking arrangements that are material in terms of scale or in terms of increasing the complexity of, or reducing the effectiveness of, its risk management, it should engage with the PRA early in that process. This includes proposed changes to booking models which will result in greater fragmentation of risk management across locations or entities, such as 'split desks' where the bank trades the same instrument from more than one location and / or entity or branch, and the management of the product is also split between locations.

4.25C Banks should include prospective material booking changes in their periodic supervisory discussions with the PRA, such as on people and resourcing issues and their short to medium term planning. As an example of the type of materiality that the PRA is interested in, for UK trading banks the PRA expects that these notifications would be targeted primarily on those material subsidiaries as defined in recovery and resolution planning<sup>1112</sup>For international banks, the notifications would likely relate similarly to material subsidiaries where the firm is in scope of those requirements, or to the UK branches of material entities as defined in the home state's approach to resolution, as well as to legal entities or branches that are material in the UK but not at group level. The PRA does not expect that a firm will make material changes to their booking arrangements very frequently.

4.25D The PRA will assess whether the proposed changes are compatible with the degree of control it expects a firm to exercise over risks affecting its UK operations. The extent to which and manner in which the PRA's booking model principles (see Box 2) are met will be an important factor in the PRA's assessment. Where the PRA is not satisfied that the proposed changes are appropriate, taking into account the overall degree of integration or separation between the overseas and UK businesses, the controls in place and other factors set out in this SS, then the PRA may impose conditions or restrictions on what the firm may do. By way of illustration, some specific factors relevant to trading activities that the PRA may consider are:

a) The degree of fragmentation to an established centralised risk management structure which could reduce the effectiveness of risk management oversight and control. The risks of fragmenting risk management are of particular concern where the firm operates the business on a large scale, and where it has complex and non-linear risks which it already manages on

<sup>11</sup> SS19/13 Resolution Planning 2018 <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2018/ss1913-update.pdf> and SS9/17 Recovery Planning 2020 <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2020/ss917update-december-2020.pdf>

<sup>12</sup> Including Fundamental Rules, General Organisational Requirements 2.1–2.2, Compliance and Internal Audit 2.1, Internal Governance of Third-Country Branches 2, 6, and 8, and Risk Control.

a portfolio basis [in market risk and CVA for example]. The PRA considers it unlikely that all such fragmentation risks can be effectively mitigated;

b) Whether the proposed risk management structure leaves a liquidity, market or counterparty risk profile that is hard-to-manage, notably for those risks which can be effectively managed on a portfolio basis, or where there is insufficient local oversight of the risk being managed in the UK entity; for example, a firm moving all its traders to an offshore location but leaving all the risk in the UK entity, is unlikely to be able to exercise sufficient oversight;

c) Whether the change may lead to traders being relocated to an overseas entity with the role of remotely managing risk into the UK; where the firm plans an increase in remote trading, the allocation of the number and relative seniority of traders should be broadly aligned with the proportion of activity managed across the locations. Where the volume of business undertaken in the second location is negligible, this is unlikely to be sufficient justification to warrant the splitting of a desk;

d) Whether the firm has a sound economic rationale for the proposed change, based for example in the geographic location of market liquidity, the location of clients, and the risk dimensions of the product [see Box 2]. The PRA does not consider that the underlying currency of denomination is a sufficient rationale of itself to warrant fragmenting the risk management of a desk that is either large-scale or where the risk is complex.

e) Whether any relevant pre-existing systems and control weaknesses in the relevant areas impacted by the booking changes have been remediated;

f) Whether the proposed change adversely impacts the business model sustainability of that entity or branch;

g) Whether the proposed changes adversely impact the firm's resolution and trading activity wind-down plans;

h) Whether in developing a proposal, it has been considered by the relevant SMF and by the relevant board.

4.25E The type of information the PRA would expect to receive for any material change to booking arrangements in advance of any change being made includes:

- a) the impact on governance and control arrangements;
- b) the degree to which the change results in split desks or increased remote booking;
- c) the scale of business being re-booked including entity revenues, client revenues by location, and the impact on the number of traders and support staff also by location;
- d) an explanation of the economic rationale for the change;
- e) information on open systems and control issues relevant to the proposal

## **Box 2: The PRA's expectations for booking arrangements and controls**

**Booking arrangements should be transparent and the firm should appropriately manage the trading risks that it originates, receives, and transfers out to affiliates**

### **Transparency**

4.25F For those international firms and UK trading banks with large-scale trading businesses and whose booking arrangements are characterised by global risk management hubs, it is essential that the risks in the relevant global business, and how this affects the risk profile of UK operations, are visible to the PRA, and that the PRA and home state supervisor (where relevant) have the same a common understanding of those risks. With a global business line, risks may crystallise anywhere in the group. Given the UK's role as a global centre for trading and risk management, those risks are often observed first in the UK. Therefore, if the firm is to operate a fully integrated global business model, the PRA needs to understand the risk profile of an entity in the context of the global business lines of which that entity is a part.

4.25G For firms with global booking arrangements, the location of the resulting risks should be transparent to each legal entity. This requires an ability for the reporting of such risks to be readily disaggregated by entity.

The PRA has a number of expectations concerning how the local entity should organise its booking arrangements in order that it meets the threshold conditions on the prudent conduct of business and its obligations under Fundamental Rules 3, 5, 6, and 8, relating to risk management and resolvability.

### **Management and controls: The PRA's expectations**

**1. Banks Firms should set out a clear rationale for their booking arrangements and controls, document the booking arrangements, and have them approved by the appropriate governance body.**

4.25H Banks Firms should have a policy document that sets out a clear rationale for their UK booking arrangements and the associated controls, and how those arrangements align with the business model for its UK authorised business. The bankfirm's arrangements should be part of a coherent strategy for the group and firm, demonstrate a commercial rationale and have limited capacity for *ad hoc* or tactical exceptions. The policies should be drafted with sufficient coverage and detail, such that the role of the international bank within the group's global booking arrangements is clear.

4.25I This document should be approved by the relevant governance body in the UK. For example, this may be the board for a subsidiary or the executive management committee for a branch. Material changes to the booking model should be presented for reapproval.

**2. Banks Firms should have adequate systems and controls in place to ensure that intended booking arrangements are followed in practice.**

4.25J Booking responsibilities: A firm bank should define and record who is permitted to book and what constitutes a booking including whether the trader is solely responsible. This should articulate the distinction, if any, between traders, sales and sales traders. This should also cover those individuals booking into legal entities and branches including foreign traders booking into UK branches. The PRA expects the correctness of any given booking to be traced to at least one, and preferably only one, responsible individual, which will usually be the trader. The role of other non-trading functions in the recording of the final booking, and their independent ability to record or modify such bookings if any, should be such that the ultimate responsibility for the correctness of the eventual booking can still be clearly traced. The degree of delegation to these non-trading functions may need to be modified for different types of transactions eg with regard to size, risk, or bespoke features that may require greater direct involvement of the trader.

4.25K Booking taxonomy: A firm should identify and classify the types of booking they employ and develop a clear and comprehensive taxonomy to assist with this. This should clearly define the use of terms such as remote booking (legal entity and geographic sense), split desks, and shared desks. The classification of branch bookings should also be covered. The PRA recognises that firms have already developed their own independent taxonomies to describe booking practices and is not seeking to impose common definitions for booking taxonomies at the current time. However, a set of examples have been provided in the Annex that the PRA considers to be an approximation of current industry practice and represent how the PRA has used certain terms throughout this statement.

4.25L Pre and Post-trade controls: The PRA's rules require banks firms to have comprehensive and proportionate controls and to review their adequacy regularly.<sup>13</sup> The PRA has certain expectations as to how these booking arrangements should be controlled. therefore expects that booking models should typically be controlled and enforced in the bank's systems when trades are first booked. Firms should regularly assess the risks that they face due to the booking model choices they apply, rate them as for any other risk, and consider effective mitigations, including the need for new or modified controls. These controls should ensure that the intended booking arrangements are followed — ie a firm's booking policy should always be translated into appropriately enforced controls through its control framework to avoid ambiguity. This control framework should also be approved by the relevant governance body in the UK, as outlined in point 1 above. For example, where possible an international bank with a material trading business should seek to avail itself

<sup>13</sup> Including Fundamental Rules, General Organisational Requirements 2.1–2.2, Compliance and Internal Audit 2.1, Internal Governance of Third-Country Branches 2, 6, and 8, and Risk Control.



have a mix of detective and preventative trading controls — ie pre-trade (soft and hard block) checks and post-trade checks. trading controls embedded into their trading systems that ensure a product, client and entity combination is a permitted booking from the outset.

4.25M Split desk considerations: Split desks are associated with higher operational risks since the management of the same risk in two locations, rather than one, increases the extent of oversight and coordination needed. All the relevant control functions should be satisfied that the desks are effectively managed. A firm may need or choose to operate them in some circumstances, but the PRA does not expect this structure to be used extensively. Hence the expectation that firms will notify the PRA when such changes are being considered [4.25D-4.25E above].

4.25N Where a firm does operate desks that are split between entities and/or geographic locations, it will need appropriate policies and procedures, and appropriate controls, to mitigate the higher operational risks of running these split desks. In determining the appropriate risk management controls, a firm should set clear desk ownership and the consequence management escalation for any operational or risk management incidents. The characteristics of an acceptable split desk model include the following:

- a) a single business head is accountable for consolidated management of split desks across entities. The extent to which dual-hatting is used, which in this context means personnel that may have responsibilities across two or more legal entities, further to their involvement in the management of, or trading on, the split desk, must be credible and not leave individuals with inappropriately large or complex matrix responsibilities;
- b) market risk limits should be appropriately monitored and sub-allocated down to legal entity or branch where relevant.
- c) the firm should consider whether the split between the number and relative seniority of traders is aligned with the proportion of activity managed across the locations.
- d) a single consolidated independent risk management oversight is in place across the relevant entities, with: the ability to reduce offsetting inventory positions by way of periodic inter-affiliate transactions; and the ability to pool collateral between entities for centralised financing and short-covering purposes. The firm's policy should set out the factors determining when a position should be offset or closed and the expected timeline for taking such actions.

4.25O Remote booking considerations: Remote booking is associated with higher operational risks, as the efforts need to maintain effective direct oversight are increased when the originating trader is separated from the entity or branch housing the risk. Remote booking should be subject to controls and formal oversight, including an appropriate risk assessment.

This should include maintaining an inventory of these bookers consistent with the rights expressed in related documents such as trader mandates.

4.25P Any UK legal entity or branch that receives remote bookings should ensure that there is some local and substantive UK oversight of these remote books as a risk mitigant, and particularly in cases where there is no UK based trader covering the book (often called 'orphan books'). 'Shared' books or desks, where there is a mix of local and remote traders, should be clearly defined in the booking taxonomy and the remote booked portion of the risk is expected to be identified and subject to remote booking controls. Remote bookers (traders in non-UK entities booking onto a UK entity should be subject to appropriate controls and formal oversight, including an appropriate risk assessment. Where the UK entity allows material remote booking onto its books, but the trader is not subject to direct trader oversight by the UK entity (often called 'orphan books'), it may be appropriate to assign shared coverage of this remote book to a UK-based trader or to UK-based risk management staff. This includes risks that may arise at all stages of the trade life cycle, including back office settlement.

4.25Q Centralised hub considerations: Where a firm bank relies on back-to-back booking extensively, a higher degree of assurance should be obtained through the use of automated trade mirroring, reconciliation, and monitoring processes. Where a firm still uses manual booking these cases should be justified. Where a firm relies on the instant or near instant creation of mirror trades at the point of trade, it should clarify the responsibilities of the affiliates in the initiation and acceptance of such trades and how they are classified in the taxonomy.

4.25R Effective management information and compliance monitoring: A bank should establish effective Mmanagement information (MI) and compliance monitoring related to trades undertaken or booked in the UK, and the associated booking risks, and compliance monitoring for example, MI by booking type, by booking location, the number of remote books and remote traders, and the volume and value of remotely booked trades. The MI needs to address the risks highlighted in this box. The MI should be timely and comprehensive, disaggregating the relationship between the UK entities and those of affiliates and providing measures of change. It should distinguish between remote booking into and out of the UK entities. The MI and any material changes to the metrics, should be routinely shared with the appropriate committees, and any breaches of the policy should be subject to appropriate sanctions.

4.25S In the case of branches of international banks, MI and regulatory reporting should cover the branch bookings and provide information on how the branch is used by different types of booking personnel who are geographically remote in the head office or another branch, or legal entity remote in the sense of employed by another affiliate entirely. This includes intra-regional exposures arising between all UK subsidiaries and UK branches as relevant.

4.25T Risk assessment: Banks firms should regularly assess the risks that they face due to the booking model choices they apply, rate them as for any other risk, and consider effective mitigations, including the need for new or modified controls. For example, automated back-to-back trades may be considered lower risk, whereas split hedging, or hedging at off-market-prices will be associated with higher risks. These controls should ensure that the intended booking arrangements are followed ie a firm's booking policy should always be translated into appropriately enforced controls through its control framework to avoid ambiguity. This control framework should also be approved by the relevant governance body in the UK, as outlined in point 1 above.

4.25U Exceptions: Any deviations from the booking model policy should occur rarely and only by way of an explicitly approved exception process documented in the same policy with appropriate involvement of the UK entity.

4.25V Independent review: The procedures set out in Box 2 ~~se~~ ~~procedures~~ are expected to be subject to assessment by assurance functions such as compliance, operational risk and internal audit assessment. For an international group, the location of the resulting risks should be transparent to each legal entity. This requires an ability for the reporting of such risks to be readily disaggregated by entity.

**3. Banks Firms with major trading activities should ensure that responsibility for ensuring that there are appropriate controls in place to manage its booking arrangements, including remote booking, is allocated to a senior management function.**

4.25W The responsibilities for ensuring that the firm's booking arrangements are appropriately controlled and monitored should be explicitly set out in the statement of responsibilities for the responsible senior management functions.

**4. The international bank should have an appropriate local risk management capability.**

4.25X While an ~~firm~~ international bank may rely extensively on its group for booking, risk management, and other services, the PRA considers that the ~~firm~~ bank should have sufficient risk management capabilities if it is to satisfy the relevant threshold conditions and comply with the Fundamental Rules. In particular, it will need adequate financial and non-financial resources, including a sufficient number of qualified staff dedicated to the management and control of the UK branch or subsidiary. The risk management capabilities should be explicitly considered and sized appropriately during the approval of the UK booking model policy and the controls required, as described above.

4.25Y The need for sufficient local risk management capabilities is primarily to support the entity's effective supervision of UK-based traders, but also aims to manage the risks to the UK entities arising from the global booking model. For example, the UK branch or subsidiary

may hold risk that has been transferred to the UK from elsewhere in the group, rather than risk originated from UK client business.

4.25Z Where there is risk transfer onto the firm's balance sheet, through remote or back-to-back booking from an affiliate, there should be appropriate controls around that process. If those risks are analogous to risks arising from dealings with external third parties, then they should be subject to commensurate controls, as would be appropriate for direct dealings with external third parties. Staff in the UK entity should have accountability for managing such risks.

4.25AA International banks Firms will also need sufficient local risk management capabilities if their booking structures, exposures, and associated risk management are to be resilient in the event of interruption to the flow of group services.

4.25AB Having a portion of group risk managed in the UK is likely to facilitate an orderly group and local resolution. The more important the international bank is to the wider group, the more likely it is that its survival is essential to the group's resolution.

**5. There should be a broad alignment of risk and returns at the entity level.**

4.25AC Subsidiaries should not be designed to be structurally-loss-making, but should aim to be solvent and viable.

4.25AD Firms operating in the UK may act as service providers to their groups, but they should be appropriately remunerated for those services.

**6. The firm's booking arrangements should not be an impediment to the firm's recovery and resolution or to any plan to wind down trading in a solvent and orderly fashion.**

4.25AE While a global booking model may not be considered a direct impediment under a single point of entry resolution strategy, it could add complexity to the restructuring of the group post resolution. Under a multiple-point-of-entry (MPE) strategy, the inter-connectivity between the UK entity and the group associated to a global booking could be an impediment to resolution that the firm should address.<sup>14</sup> Similarly, where contingency plans to be able to wind down trading books in a solvent and orderly fashion are important to any orderly exit, recovery, or resolution strategy, the PRA expects that the particular booking model adopted by a firm will have been fully taken into account in those plans.

...

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<sup>14</sup> MPE refers to a resolution strategy that envisages applying resolution powers to multiple entities within a group. See 'The Bank of England's approach to resolution', October 2017: <https://www.bankofengland.co.uk/paper/2017/the-bank-of-england-approach-to-resolution>

## Integration and independence

5.1 Once the PRA has considered the effectiveness of supervision that it is possible to exercise given the understanding it has of risks in the wider group, including the level of supervisory co-operation and information it is receiving and the controls in place, as well as the size and systemic importance of the international bank, it will consider whether the degree of operational integration or separation is commensurate with those factors. The aspects of integration considered are:

- (a) governance;
- (b) capital and liquidity;
- (c) booking risk management and controls;
- (d) operational resilience;
- (e) resolution strategy; and
- (f) structural profitability.

...

## 6 Additional considerations for the supervision and authorisation of branches

...

Figure 2: PRA Considerations for Branch Authorisation

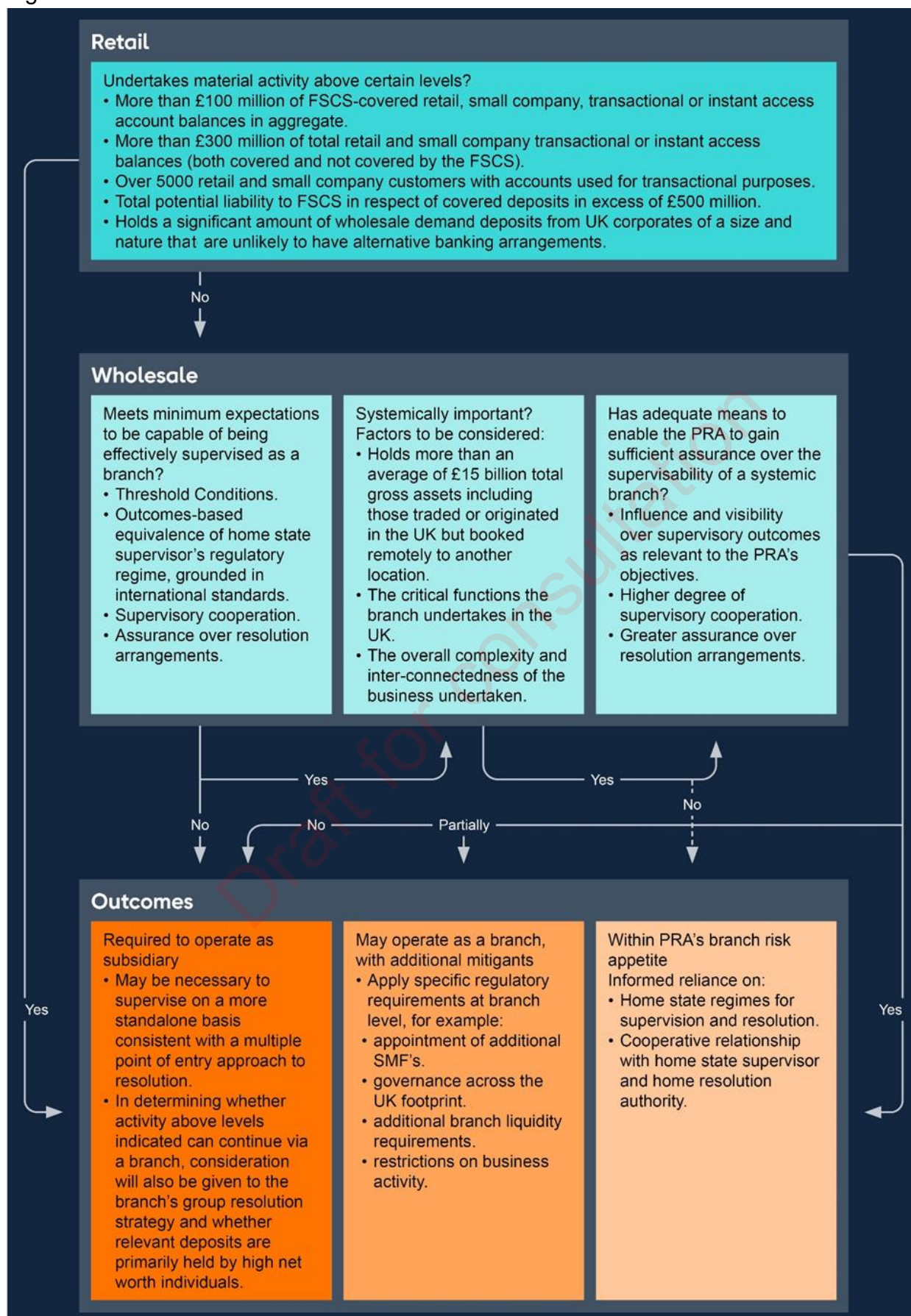


Figure 2: PRA considerations for branch authorisation



## Supervisory co-operation

6.6 There are additional expectations the PRA has for co-operation concerning branches:

- The PRA will seek to establish a clear acceptance from the home state supervisor of its prudential responsibility for branches in the UK. This will include confirmation from the home state supervisor that the whole firm meets the PRA's threshold conditions, and requires the existence of a specific agreement with the home state supervisor on the split of responsibilities for prudential supervision of branches from that jurisdiction. The latter typically covers the performance of respective supervisory tasks and responsibilities, the reliance each supervisor may place on the other, co-operation and information sharing, meetings with and information requests to the firm, and how each risk element will be assessed.
- The PRA will expect there to be agreement concerning the information required from the home state supervisor in relation to the firm, which may include information on liquidity; this supplements the whole-firm liquidity information that the PRA requires expects the firm to provide through the Branch Return Form.<sup>15</sup>

...

### Approach to significant retail activities

6.14 In general, the PRA will not be content for branches to undertake retail banking activities beyond the levels described in the next paragraph. This ensures that the PRA is able to meet its supervisory objectives and mitigate the risks to UK financial stability.

6.15 In assessing whether the PRA will be content for an international bank to undertake retail activities in the UK through a branch, the PRA will make a determination based on the following several factors measuring deposit-taking activity listed below. These factors are not hard thresholds and may vary on a firm-by-firm basis. When assessing firms against these factors, all deposits of direct depositors and those that are sourced through third parties will be included in the PRA's considerations.<sup>16</sup>

(a) the value and type of account-FSCS covered demand deposit holdings; while this is not a hard threshold and may vary on a firm-by-firm basis, the PRA expects branches to have

<sup>15</sup> See PRA Rulebook: CRR Firms: Regulatory Reporting (Branch Reporting) Instrument [2024] and Chapter 5 of SS 34/15 – Guidelines for completing regulatory reports. ~~SS1/17 sets out the PRA's expectations for liquidity reporting by PRA-regulated branches of third-country and non-EEA credit institutions and designated investment firms, February 2017: [www.bankofengland.co.uk/prudential-regulation/publication/2017/supervising-international-banks-the-pras-approach-to-branch-supervision-liquidity-reporting-ss](http://www.bankofengland.co.uk/prudential-regulation/publication/2017/supervising-international-banks-the-pras-approach-to-branch-supervision-liquidity-reporting-ss)~~

<sup>16</sup> [www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2023/november/dear-cfo-letter-working-with-deposit-aggregators.pdf](http://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2023/november/dear-cfo-letter-working-with-deposit-aggregators.pdf).



under £100 million of retail and small company<sup>17</sup> transactional<sup>18</sup> or instant access account balances covered by the Financial Services Compensation Scheme (FSCS);

(b) total demand deposit holdings: the PRA expects branches to have under £300 million of total retail and small company transactional or instant access account balances (both covered and not covered by the FSCS);

(c) the number of customers: in addition to the value of deposits, the PRA will also take into account the number of customers. Where branches have in aggregate more than 5,000 retail and small company customers with accounts that are used for transactional purposes, this may be of concern, though this may differ on a firm-by-firm basis;

(d) planned growth: while a branch's existing retail deposits could be within the PRA's appetite, the PRA may conclude that the branch's plans to grow retail deposits are outside its risk appetite.

6.15A Continuity of access to demand deposits is particularly important for general retail and SME depositors relative to high-net worth individuals, who are more likely to have access to alternative banking arrangements. As such, when the PRA is assessing a branch exceeding or planning to grow deposits beyond the factors outlined in 6.15(a) and 6.15(b), firms may be expected to provide evidence as to whether such deposits are held by high net worth individuals,<sup>19</sup> which the PRA will take into consideration.

6.15B Specific types of wholesale activities that resemble small company demand deposits may pose risks to the PRA's objectives. Notably, corporates undertaking economic activity in the UK may be above the small company definition but still of a size and nature that they are unlikely to have alternative banking relationships. In assessing whether the PRA will be content for an international bank to undertake wholesale activities through a branch, the PRA will take into consideration the value and nature of such deposits. In the first instance, the PRA will use data provided in the regulatory business plan or Branch Return to identify potential material risks to continuity. Should the PRA have concerns, it may engage with relevant firms for additional information about the nature of its corporate banking activity.

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<sup>17</sup> A 'small company' is defined as under the Companies Act 2006:

<http://www.legislation.gov.uk/ukpga/2006/46/part/15/chapter/1/crossheading/companies-subject-to-the-small-companies-regime>. This definition is used here for supervisory purposes only, and firms should use this definition for their branch return submissions. For the avoidance of doubt, the definition of 'micro, small and medium-sized enterprises' for the purposes of the Depositor Protection Part of the PRA Rulebook remains unchanged.

<sup>18</sup> In general, the PRA starts from the understanding that an account, while it may have transactional functionality, is only considered a 'transactional account' if withdrawals from it have been made nine or more times within a three month period, but it may additionally consider other factors. The PRA will continue to take a pragmatic, judgement-based view as to whether the accounts are transactional in practice.

<sup>19</sup> High Net Worth Individuals are individuals who held net assets totalling £250,000 at any point in the last financial year. Net assets do not include your home (primary residence), any loan secured on it or any equity released from it, your pension or any pension withdrawals or any rights under insurance contracts. Net assets are total assets minus any debts owed.

6.15C In assessing whether the PRA will be content for an international bank to undertake retail or wholesale activities in the UK through a branch as described in paragraphs 6.15 and 6.15B, the PRA will also consider, in consultation with the Bank as resolution authority, whether the firm's group resolution strategy set by the home resolution authority ensures appropriate continuity of functions that may otherwise exceed the PRA's risk appetite.

6.16 The PRA's approach to authorising and supervising international banks that propose to undertake significant retail banking activities through branches is also driven by the fact that eligible deposits of these branches are covered by the FSCS. In the event of failure, if the FSCS were unable to recoup the amount it paid out via the bank insolvency procedure from recoveries, ultimately there would be a liability to the UK financial system. Given this, the PRA will not, in general, be content for a branch to undertake deposit activity where the total potential liability to the FSCS in relation to covered deposits (as defined in the Depositor Protection Part of the PRA Rulebook) is in excess of £500 million.

6.17 The PRA expects new branches of international banks operating in the UK to focus primarily on wholesale banking activities.

6.17 Where the PRA requires an international bank to use a subsidiary in order to undertake retail or wholesale banking activities in the UK beyond certain levels, it does not automatically mean that the Bank, as resolution authority, would expect to apply its resolution powers on the subsidiary in the event of failure. This reflects the fact that it may be consistent with the PRA's objectives to gain greater supervisory influence over a firm, even if the test for use of stabilisation tools is different. The actual approach taken to resolve a firm will depend on the circumstances at the time of its failure.

...

## **Annex Context and Definitions for Chapter 4**

'Booking' means the recording of a trade in the financial ledger of a legal entity or branch.

'Booking model', 'booking arrangements', and 'booking framework' are synonyms that mean the entire sequence of trade lifecycle activities that ensures that a booked trade is directed to the correct entity or branch in a controlled manner. This includes eg trade capture, risk transfer operational events including settlement and all associated controls involved.

'Booking type' means the use of centralised, split, remote, and shared booking as explained further below.

'Centralised' booking means that the market risk of a given product is managed from a single location, usually referred to as a hub location. This is typically effected by explicit intercompany risk transfer trades, sometimes called a 'back-to-back' model, with traders in the hub entity. This type of booking plays a key role in providing a holistic, integrated view of

market risk and maintaining prudent risk management standards. Some firms may employ variations around this structure where certain risks are consolidated and controlled in a single location, but where traders in other locations can still manage these risks provided that they remote book to the central hub with centralised infrastructure (see below for comments on remote booking). A centralised structure may be appropriate for all risk types but in particular has benefits for complex non-linear risks that can be most effectively managed on a portfolio basis as: it allows two-way directional flows from different client types to be balanced across a single entity; allows fine-grained offsetting of risk parameters /risk sensitivities; and leads to natural internal portfolio-wide hedging of net risk characteristics that might otherwise be difficult or impossible to hedge externally with the market. In addition, centralised risk management provides other benefits including: streamlined operational processes; the use of common infrastructure; and the development of a critical mass of dedicated resource pools with deep expertise.

**‘Split’ or ‘multi-hub’ booking models**, the firm trades the same instrument from more than one location and / or entity or branch and there is no single authoritative price for that instrument in the firm. The management of the product is also split between locations with independent traders and decision making, albeit often with consolidated oversight existing at a higher level of trading supervision. This means the market risk for the same product is booked in more than one location, and usually requires traders in different locations to periodically trade amongst each other to avoid risk imbalances inside the wider group.

**‘Remote booking by affiliate entity or branch’** means a given trader is permitted to trade onto the balance sheet of an affiliate entity or branch without being employed by or directly controlled by that affiliate entity. This is remoteness in the legal entity or employment sense. Such an approach removes explicit intercompany trades in favour of implicit reliance on the activities of the remote booker.

**‘Remote booking geographically’** means the trader is remote ‘geographically’ rather than legally eg a trader in a UK branch of a foreign parent (part of the same legal entity) is geographically remote relative to the head office of the parent. Likewise, a trader located in the parent head office and managing the risk originated by the UK branch can be considered geographically remote relative to the originating branch. A related term for this is ‘offshore’.

**‘Shared’ desk** means the booking model involves a mix of both local and remote bookers and is neither strictly local nor strictly remote. This is often a generic term that is not fully determinative as to the booking types and risks involved. Shared desks are still subject to remote booking policies.

## 2: Draft amendments to the Branch Return Form

Note: Greyed boxes represent fields which are currently not turned on. Rows 040 and 050 already exist in the current branch return but the PRA is proposing to turn on column 010 for these rows.

### Part 2: Deposits

Code		Carrying Amount			Number of clients or customers
		Total	Covered by FSCS	Covered by Other Deposit Insurance Scheme	Total
		010	020	030	040
010	Total Deposits				
011	of which: Wholesale deposits - PRA definition				
012	of which: Central Banks				
013	of which: General Governments				
014	of which: Credit Institutions				
015	of which: Other Financial Corporations				
016	of which: Large Companies (Non-Financial Corporations)				
017	of which: Held in instant access accounts				
020	of which: Smaller Companies				
021	of which: held in transactional accounts				
030	of which: Other deposits (i.e. Retail)				
031	of which: held in transactional accounts				
040	Memo item: Retail and smaller company deposits held in transactional accounts				
050	Memo item: Retail and smaller company deposits held in transactional or instant access accounts				
060	Memo item: Retail and smaller company accounts				
070	Memo item: Specific Accounts: Charities, charitable trusts, schools & colleges, religious establishments, UK local authorities				

**Part 9: Whole-firm liquidity data**

Code		Home jurisdiction liquidity reporting regime (Yes/No)	Ratio (%)	Notional amount in GBP	Date	Currency
		010	020	030	040	050
010	<b>Does home jurisdiction currently have an LCR regime (Yes/No)?</b>					
020	High Quality Liquid Assets					
030	LCR inflows over 30 days					
040	LCR outflows over 30 days					
050	LCR net outflows over 30 days					
060	Liquidity Coverage Ratio (LCR)					
070	<b>Does home jurisdiction currently have an NSFR regime (Yes/No)?</b>					
080	Available Stable Funding (NSFR numerator)					
090	Required Stable Funding (NSFR denominator)					
100	Net Stable Funding Ratio (NSFR)					
110	Memo item: Liquidity data reporting currency					
120	Memo item: Exchange rate at reporting date (from reporting currency to pounds sterling so equals "1" if reporting currency is GBP)					
130	Memo item: Reporting date (LCR)					
140	Memo item: Reporting date (NSFR)					

## 3: Draft amendments to the Reporting guidance for the Branch Return

### Balance sheet concepts

In general, balance sheet concepts in the Branch Return are aligned with the FINREP reporting framework and reporters may refer to definitions contained within the EBA's Annex V to the Implementing Technical Standards on Supervisory Reporting. Further guidance may also be found in the EBA's published FINREP templates and the associated guidance for IFRS and National GAAP reporters.

The main area where this form uses non-FINREP concepts for balance sheet items relates to deposits (Part 2 below) where it uses the PRA's concepts of "wholesale depositor", "smaller companies" and "transactional deposits" as used in the PRA's Supervisory Statement (SS) 5/21 4/48 "International banks: the Prudential Regulation Authority's approach to branch authorisation and supervision"<sup>20</sup> and subsequent applicable supervisory statements.

### Part 2: Deposits

...

- **Large Companies (row 016)** are defined as Non-Financial Corporations which are not smaller companies as defined above.
- The frequency with which reporters review their categorisation of accounts between wholesale, smaller company and other (retail) must be fit for its purpose of enabling the PRA to monitor firms effectively against its risk appetite for retail activity to be undertaken in branches, as set out in SS 5/214/48 (and subsequent applicable supervisory statements)
- **Of which held in instant access accounts (row 017):** Row 017 is a subset of row 16.

...

- Smaller Companies (row 020) are as defined under section 382 of the Companies Act 2006 in line with PRA Supervisory Statement SS5/214/48.

<sup>20</sup> <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2018/ss148-SS5/21-International-banks-The-PRA-s-approach-to-branch-and-subsiary-supervision>

- **Of which held in transactional accounts (rows 021 and 031):** Row 21 is a subset of row 20, and row 31 is a subset of row 30. As set out in SS5/214/18, in general, the PRA starts from the understanding that an account, whilst it may have transactional functionality, is only considered a ‘transactional account’ if withdrawals from it have been made nine or more times within a three month period, but it may additionally consider other factors.  
  
...
- **Number of clients or customers (column 040):** Firms should report the number of unique clients or customers and not the number of open accounts. ~~In rows 040 and 050, please report the number of unique clients or customers with FSCS-protected deposits. In the other rows, please~~ report the number of unique clients or customers based on the total deposits in column 010.
- **Memo item: Retail and smaller company deposits held in transactional accounts (row 040):** This is the sum of rows 021 and 031. Firms should report total retail and smaller company deposits held in transactional accounts (column 010) and the subset of deposits covered by the FSCS (column 020).
- **Memo item: Retail and smaller company deposits held in transactional or instant access accounts (row 050):** “Instant access accounts” means accounts from which customers can withdraw money unconditionally, without providing notice or paying penalties. Firms should report total retail and smaller company deposits held in transactional accounts or instant access accounts (column 010) and the subset of deposits covered by the FSCS (column 020).  
  
...

### Part 8a and 8b: Intragroup Assets and Liabilities by Counterparty for systemic firms

Only branches with over £15bn in total gross assets are required to report this section. For the purposes of this part, total gross assets is as defined in SS5/214/18, i.e. “in calculating this figure, the PRA will take account both of assets booked onto the balance sheet of the branch and assets traded or originated in the UK but booked remotely to another jurisdiction”.

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**Part 9: Liquidity information at the whole-firm level, based upon data which is reported to the firm's home state supervisor**

This part applies to all third-country branches, except those as defined in paragraph 5.5 of supervisory statement 34/15 – Guidelines for completing regulatory reports.

For the avoidance of doubt, reporting firms should provide the required information at the whole-firm level and not at the level of the branch.

For the purposes of this part, reporting firms should rely on the definitions contained within their home state supervisor's ('HSS') rules as they relate to the HSS's implementation of the Basel Committee on Banking Supervision's Liquidity Coverage Ratio and Net Stable Funding Ratio. If firms are not submitting this information to their HSS they should indicate this in the Branch Return.

Reporting firms should report spot data rather than average data unless firms are required to report average data in their returns to their HSS.

The reporting dates are expected to be based on the 30 June and 31 December end of reporting periods, but reporting firms should specify the date and indicate where different reporting dates may be required by their HSS.

The data should be reported on a pounds sterling basis, using the exchange rate at the reporting date. Reporting firms should specify the exchange rate used.



## 4: Draft amendments to supervisory statement 34/15 – Guidelines for completing regulatory reports

In this appendix, new text is underlined and deleted text is struck through.

### 5 Third-country branch reporting

5.1 This chapter is relevant to PRA-regulated UK branches of third-country banks and designed investment firms ('third-country firms').

5.2 Third-country firms are required to submit the Branch Return twice a year in accordance with Regulatory Reporting 22.2. Guidance on the Branch Return can be found at Appendix 13.

#### Liquidity information at the whole-firm level, based upon data which is reported to the firm's home state supervisor

5.3 This section applies to all third-country firms. The PRA requires third-country firms to submit summary liquidity information at the whole-firm level, based on data reported to the branch's home state supervisor ('HSS'),<sup>21</sup> through the Branch Return.

5.4 The PRA expects some third-country branches to submit additional and or more frequent whole-firm liquidity information via email to their usual supervisory contact, including daily in a stress. All third-country firms should maintain the ability to submit the full LCR and NSFR returns as reported to the HSS. In determining whether to request this information, the PRA will have regard, among other factors, to:

- whether the metrics submitted through the Branch Return suggest a material change in the firm's funding or liquidity position;
- whether the firm is experiencing a liquidity stress;
- whether the firm has been authorised within the last twelve months;
- the nature, scale, and complexity of the firm's activities, including the potential impact on UK financial stability; and
- the information available pursuant to the requirements of the HSS.

5.5 The PRA expects most relevant third-country firms to be able to comply with the PRA's approach outlined above. Where a relevant third-country firm can demonstrate that this is not the case, for example, because a firm's home jurisdiction does not currently have a LCR or NSFR regime, firms should indicate this in the Branch Return and the PRA will work with the firm to determine suitable, alternative reporting arrangements on a case-by-case basis.

<sup>21</sup> Based on the HSS's implementation of the Basel Committee on Banking Supervisions' introduction of Liquidity Coverage Ratio in 2013 and Net Stable Funding Ratio in 2014

Suitable arrangements may include branches providing information based on the HSS's own liquidity regime or whole-firm internal liquidity management information.

5.6 Paragraphs 5.6 to 5.13 are relevant to third-country firms that are banks, non-UK deposit-takers in respect of their operations in the United Kingdom through branches known as 'third-country branches'. It sets They set out the PRA's expectations for the regulatory reporting of these firms in addition to the Branch Return ~~third-country branches~~ and how these firms are able to comply with Regulatory Reporting 22.4. This chapter covers reporting on:

- ~~• liquid assets available to the branch;~~
- own funds that are at the disposal of the branch;
- deposit protection arrangements;
- risk management arrangements;
- governance arrangements, including key function holders; and
- recovery plans covering the branch. and
- liquidity information at the whole-firm level, based upon data which is reported to the firm's home state supervisor.

#### **~~Information on the liquid assets available to the branch, in particular availability of liquid assets Member State currencies (Regulatory Reporting 22.4(1))~~**

~~5.2 A third-country branch is expected to submit to the PRA liquidity<sup>22</sup> information at the whole-firm level, based upon data which is reported to the firm's home state supervisor. Where this contains information on significant currency basis, the PRA considers that this is sufficient to meet the requirement set out in Regulatory Reporting 22.4(1). Otherwise, firms should provide this information on an annual basis by email to their usual supervisory contact alongside the submission of their liquidity information.~~

#### **The own funds that are at the disposal of the branch (Regulatory Reporting 22.4(2))**

~~5.3~~ 5.7 Under Regulatory Reporting 7.1, non-UK banks are required to submit to the PRA their annual report and accounts. Where this contains information about own funds that are at the whole-entity level, the PRA considers that this is sufficient to meet the requirement set out in Regulatory Reporting 22.4(2). Otherwise, firms should provide this information by email to their usual supervisory contact alongside the submission of their annual reports and accounts.

#### **The deposit protection arrangements available to depositors in the branch (Regulatory Reporting 22.4(3))**

~~5.4~~ 5.8 The Branch Return requires information about total deposits covered by the FSCS and those by other deposit insurance schemes. The PRA expects firms to provide names of the 'other deposit insurance schemes' where they have reported a non-zero amount of

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<sup>22</sup> PRA Supervisory Statement 1/17, 'Supervising international banks: the PRA's approach to branch supervision – liquidity reporting', February 2017: <https://www.bankofengland.co.uk/prudential-regulation/publication/2017/supervising-international-banks-the-pras-approach-to-branch-supervision-liquidity-reporting-ss>

deposits covered by these schemes. Firms should provide this information by email to their usual supervisory contact alongside the submission of their branch return. The PRA considers that this is sufficient to meet the requirement set out in Regulatory Reporting 22.4(3).

#### **The risk management arrangements (Regulatory Reporting 22.4(4))**

5-5 5.9 Under Allocation of Responsibilities 7.1, firms are required at all times to have a comprehensive and up-to-date single document (a 'management responsibilities map') that describes the firm's management and governance arrangements. Where this contains information about the risk management arrangements of the branch, the PRA considers that this is sufficient to meet the requirement set out in Regulatory Reporting 22.4(4). Otherwise, firms should provide this information by email to their usual supervisory contact. The firm should either confirm on an annual basis that the management responsibilities map or the information provided separately remains up to date, or should provide updated information.

#### **The governance arrangements, including key function holders for the activities of the branch (Regulatory Reporting 22.4(5))**

5-6 5.10 Where the management responsibilities map contains information about the governance arrangements of the branch, the PRA considers that this is sufficient to meet the requirement set out in Regulatory Reporting 22.4(5). Otherwise, firms should provide this information by email to their usual supervisory contact. Following their last submission, a third country branch should confirm on an annual basis that the management responsibilities map remains up to date.

#### **The recovery plans covering the branch (Regulatory Reporting 22.4(6))**

5-7 5.11 The PRA expects a third country branch to share their group recovery plan, or the relevant sections of it, with their usual supervisory contact. Where the recovery plan is not provided to the home resolution authority in English, firms are expected to translate the relevant sections of this prior to submission to the PRA. The PRA considers that this is sufficient to meet the requirement set out in Regulatory Reporting 22.4(6). Firms should submit recovery plans as they stand at their accounting reference date by email to their supervisory contact.

5-8 5.12 Where a recovery plan cannot be shared or does not provide adequate details of the recovery strategy for the branch, firms should provide a brief summary of the recovery plan including the following information:

- A list of the indicators that would trigger initiation of the recovery plan
- A list of recovery options relevant to the branch (with a brief description of each)
- Description of coordination arrangements between the group and UK branch with respect to recovery plan
- Description of the communication plan with the home and host authority when the recovery plan is likely to be or has been triggered

5-9 5.13 Where the home state regulator does not require the preparation of a recovery plan covering the entity to which the branch belongs, a third country branch should confirm this on

an annual basis by email to their usual supervisory contact. Firms should submit recovery plans as set out in paragraph 5.7 or 5.8 above, if these become a requirement by the home state regulator in the future.

Draft for consultation

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## **5: [Deleted in its entirety] SS1/17 – Supervising international banks: the PRA’s approach to branch supervision – liquidity reporting**

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[This SS is proposed to be deleted in its entirety: SS1/17 – Supervising international banks: the PRA’s approach to branch supervision – liquidity reporting. Parts of SS1/17 will be transferred to the Regulatory Reporting (Branch Reporting) Part of the PRA Rulebook and SS34/15 – Guidelines for completing regulatory reports.]

Draft for consultation