Prudential Regulation Authority Business Plan 2024/25

The 2024/25 Business Plan sets out the workplan for each of the PRA's strategic priorities, together with an overview of the PRA's budget for 2024/25.

Maintain and build on the safety and soundness of the banking and insurance sectors, and ensure continuing resilience

Be at the forefront of identifying new and emerging risks, and developing international policy

Support competitive and dynamic markets, alongside facilitating international competitiveness and growth, in the sectors that we regulate

Run an inclusive, efficient, and modern regulator within the central bank

Published on 11 April 2024

The PRA's Strategy

Our strategy for 2024/25 will be delivered through our strategic goals, extracts of which are below. For the full detail of our workplan against each strategic priorities, **see pages 10 to 41 of this Business Plan**.

Content

Foreword by Chief Executive Sam Woods

Sam Woods
Deputy Governor, Prudential Regulation
Chief Executive of the PRA

This will be another busy year for the Prudential Regulation Authority (PRA) and this business plan sets out our programme of policy, supervisory, and operational work over 2024/2025. In this foreword I want to highlight two points in particular.

First, this will be our first full year operating under the Financial Services and Markets Act (FSMA 2023), which established a new, post-Brexit regulatory framework for the UK. FSMA 2023 expanded our rulemaking responsibilities and gave us a new secondary objective to support the competitiveness and growth of the United Kingdom.

Competitiveness and growth have always been important considerations for the PRA. Nonetheless, this new objective represents a significant change, and embedding it into our approach has been a major priority for the organisation as a whole, and for me personally as CEO. That effort will continue this year.

Our business plan includes a range of initiatives aimed squarely at promoting the UK's competitiveness and growth. Some of the most significant are:

- Our 'Strong and Simple' project, which aims to simplify regulatory requirements for smaller banks, thus reducing compliance burdens without compromising on strong standards.
- The 'Solvency UK' reforms of insurance capital standards, which will reduce bureaucracy in the regulatory regime, while also allowing insurers to invest in a wider range of productive assets.

- The Banking Data Review, which aims to reduce burdens on firms by focusing our data collection on the most useful and relevant information.
- Improvements to our authorisation processes – we have made significant progress in improving the speed and efficiency of authorisations without sacrificing the robustness of our controls; maintaining this progress will be a key focus for next year.
- Reforms to ring-fencing, following the independent review led by Sir Keith Skeoch.

The second point I want to highlight is our ongoing programme of work to maintain the resilience of the UK's banking and insurance sectors, which is at the heart of our role. The events of 2023 (including the high-profile failures of Silicon Valley Bank (SVB) and Credit Suisse (CS)) demonstrate the importance of a focus on resilience – and while I am encouraged by how the UK banking and insurance sectors have remained stable through a stressful period, we cannot take this for granted.

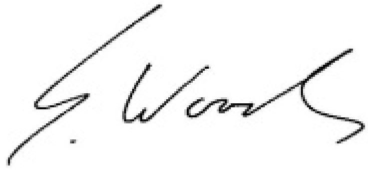
A major priority this year will be the implementation of the Basel 3.1 standards, which will complete the long process of post-financial crisis regulatory reform. While I expect the capital impact of these reforms to be limited for UK banks, they will nonetheless play a vital role in maintaining sufficient consistency in risk measurement across firms and jurisdictions – which is the cornerstone of the bank capital regime.

Another major priority this year will be ensuring firms have adequate standards of operational and cyber resilience. Following FSMA 2023, we have new powers to oversee the services provided to regulated firms by so-called 'critical third parties', and we will be implementing that regime over the coming year. And in March 2025 we will reach an important milestone with the full implementation of our wider operational resilience policy.

The day-to-day work of supervision will continue alongside these reforms. As always, our supervisory teams continue to work with PRA-regulated firms to ensure high standards of financial and operational resilience, governance, risk management, and controls. Stress testing remains a key element of our approach to resilience, and alongside colleagues from the wider Bank of England we will deliver a desk-based stress test of banks, and a system-wide exploratory scenario, in 2024. We will also work towards the next round of insurance stress tests in 2025.

I have really only scratched the surface of the work we are doing this year, as you can see from a glance at this document's contents page. In order to deliver this work, we will need to run an efficient and effective regulator, and I am particularly excited by the potential of our data and analytics agenda to create new opportunities to improve how we work. And if past years are anything to go by, we will continue to engage with innovation in many forms across the industry, whether in the form of new entrants or new approaches to doing business in areas like digital money.

I am very much looking forward to the challenges that the next year will bring, and to working together with a team of very committed colleagues at the PRA to deliver on this business plan.



11 April 2024

Overview of responsibilities and approach

The PRA has two primary objectives: a general objective to promote the safety and soundness of PRA-authorised persons, and an objective specific to insurance firms for the protection of policyholders.

The PRA has two secondary objectives:

- the competition objective, which is focused on facilitating effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities; and
- the competitiveness and growth objective, which is focused on facilitating, subject to alignment with relevant international standards, (a) the international competitiveness of the economy of the UK (including, in particular, the financial services sector through the contribution of PRA-authorised persons), and (b) its growth in the medium to long term.

In its December 2022 **recommendations letter** to the **Prudential Regulation Committee** (PRC), HM Treasury (HMT) set out aspects of the Government's economic policy to which the PRA must have regard, while building on the important themes of openness, competitiveness, competition, and innovation, as well as delivering energy security and net zero.

In December 2023, the PRA published a consultation paper (CP)27/23 – **The Prudential Regulation Authority's approach to policy**, which sets out the PRA's approach to policymaking as it takes on expanded rule-making powers introduced through FSMA 2023. These expanded powers will enable the PRA to replace relevant assimilated law (previously known as retained EU law) with PRA rules and other policy material, and move towards a more British system of regulation, with most of the technical rules made by independent UK regulators within a framework set by Parliament. In addition, FSMA 2023 introduces new accountability measures that require the PRA to keep its **rules under review**, and to establish a **Cost Benefit Analysis (CBA) Panel** composed of external members, which will scrutinise and provide input into the PRA's CBA framework. These measures should enable the PRA to deliver policies that are well suited to the UK's financial sector. In addition:

- In December 2023, the PRA took a significant step towards implementing the remaining Basel III standards in the UK by publishing the first of two near-final sets of rules with policy statement (PS)17/23 – **Implementation of the Basel 3.1 standards near-final part 1**, which takes account of responses received to **CP16/22**. The near-final rules aim to promote the safety and soundness of PRA-regulated firms and support their international competitiveness by making capital ratios more consistent, comparable, and aligned with international standards. The PRA will publish its second near-final policy statement in 2024 Q2 on the remaining aspects of the Basel 3.1 package, which include credit risk, the output floor, reporting, and disclosure requirements. The PRA plans to implement the Basel 3.1 standards over a 4.5-year transitional period beginning on 1 July 2025 and ending on 1 January 2030. Among other things, the PRA will also continue to support international efforts to monitor and promote the implementation of Basel 3.1.
- In December 2023, the PRA published PS15/23 – **The Strong and Simple Framework: Scope Criteria, Liquidity and Disclosure Requirements**, taking account of feedback to **CP4/23**. The policy addresses liquidity and disclosure requirements for Simpler-regime Firms and Pillar 3 remuneration disclosure. The PRA will move further towards finalising and implementing the Strong and Simple prudential framework for Small Domestic Deposit Takers (SDDTs) during 2024.[1]
- Following the publication of discussion paper (DP)3/22 – **Operational resilience: Critical third parties to the UK financial sector**, in December 2023, the PRA published **CP26/23**, jointly with the Bank of England ('the Bank') and FCA ('the supervisory authorities'). CP26/23 sets out the supervisory authorities' proposed requirements for critical third parties (CTPs),[2] including the mechanism for identifying potential CTPs, recommending them for designation by HMT, incident notification triggers and requirements, and proposed CTP Fundamental Rules. In 2024, the PRA will continue to work with the supervisory and other authorities to develop the final policy and oversight approach.
- In September 2023, the PRA published CP19/23 – **Review of Solvency II: Reform of the Matching Adjustment**, which marks a significant milestone in the PRA's reforms to the Solvency II regime for the UK insurance market. Following the publication of PS2/24 – **Review of Solvency II: Adapting to the UK insurance market** and PS3/24 – **Review of Solvency II: Reporting and disclosure phase 2 near-final**, the PRA will publish its final rules, subject to alignment with anticipated legislation, in 2024.

The PRA's objectives and priorities are delivered through regulation and supervision, and by developing standards and policies that set out expectations of firms. The PRA's approach to supervision is forward-looking, judgement-based, and focused on the issues and firms that pose the greatest risk to the stability of the UK financial system and policyholders. This approach is set out in the **PRA's approach to supervision of the banking and insurance sectors**.

The PRA's regulatory focus is primarily at the individual firm and sector level, with the most important decisions taken by the PRC, which works with the Bank's other areas of remit, including its role as supervisor of **Financial Market Infrastructures** (FMIs), the UK's Resolution Authority, and its committees, including the **Financial Policy Committee** (FPC), which has responsibility for the stability of the entire UK financial system. The PRA also works closely with the **Financial Conduct Authority** (FCA), including through the Chief Executive of the PRA being a member of the FCA Board and the Chief Executive of the FCA being a member of the PRC.

The PRA regulates 1,330 firms and groups.[3] These consist of 730 deposit-takers (banks, building societies, credit unions, and designated investment firms[4] (DIFs)), and 600 insurers of all types (general insurers, life insurers, friendly societies, mutuals, the London market, and insurance special purpose vehicles (ISPVs)).

Chart 1: PRA supervised deposit-takers, as at January 2024

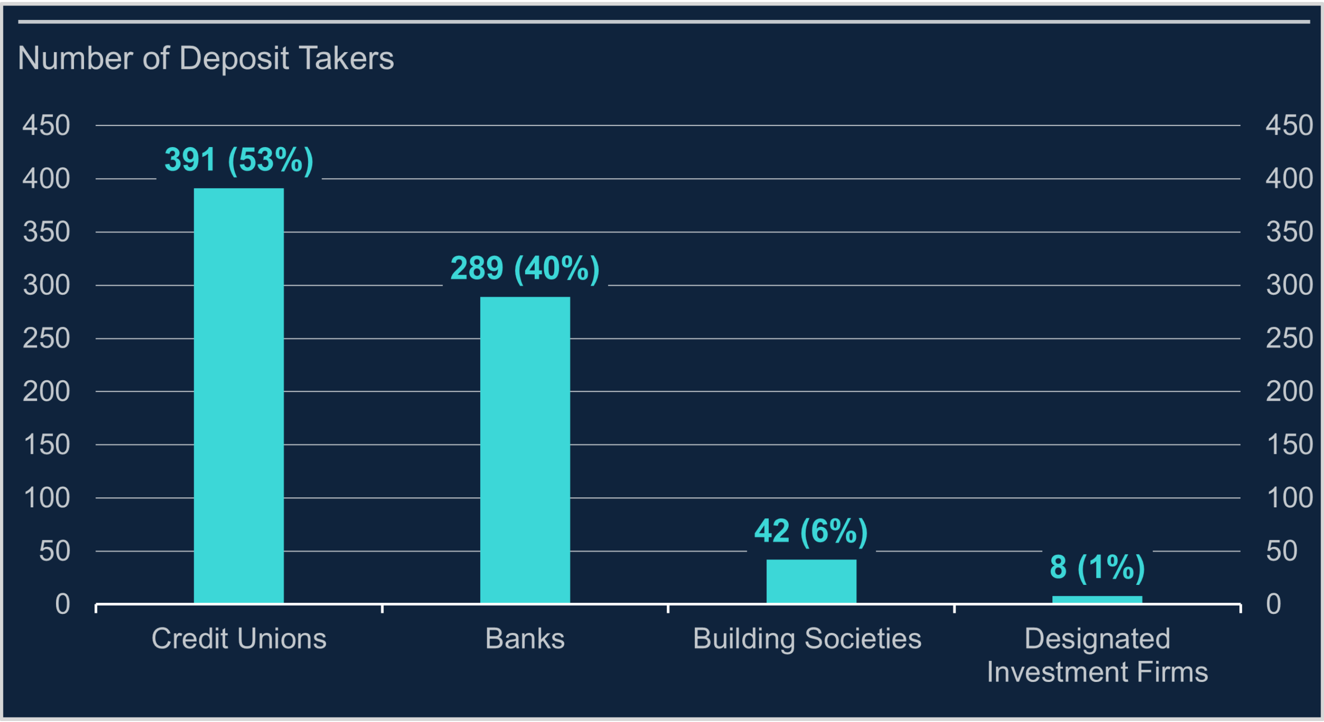
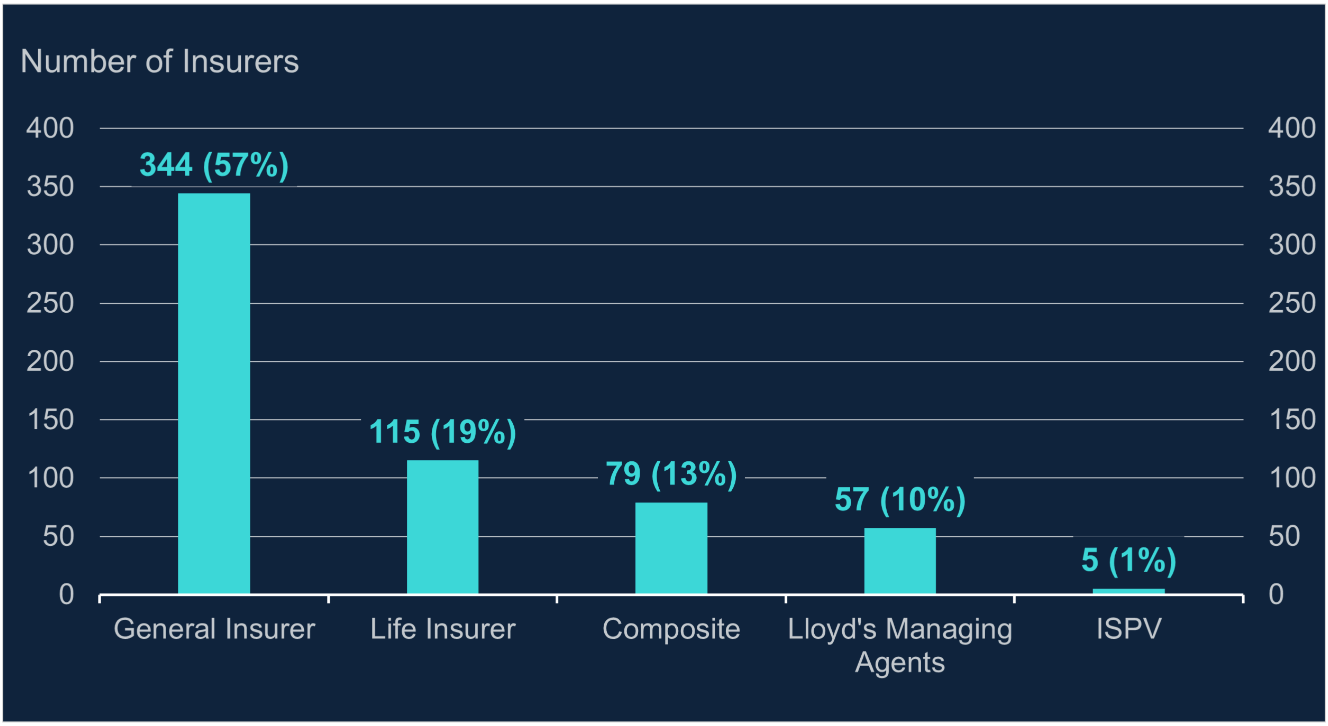


Chart 2: PRA supervised insurers, as at January 2024



The PRA's strategy

The PRA's strategy will be achieved in close co-operation with colleagues across the Bank and other regulatory authorities. The strategy reflects the PRA's expanded responsibilities (under FSMA 2023) and the changing world in which it operates.

Shaping the PRA's strategy

Each year, the PRA is required by law[5] to review and, if necessary, revise its strategy in line with its statutory objectives:

- the general primary objective to promote the safety and soundness of PRA-authorised firms;
- specifically for insurance firms, a primary objective to contribute to the securing of an appropriate degree of protection for those who are or may become policyholders;
- a secondary objective to act, so far as is reasonably possible, in a way that facilitates effective competition in the markets for services provided by PRA-authorised firms; and
- a new secondary objective to act, so far as reasonably possible, in a way that facilitates the UK economy's international competitiveness and its growth over the medium to long term, subject to alignment with international standards.

In addition to the statutory objectives, the PRA's strategy is shaped by other responsibilities, such as the requirement to implement legislation and other changes necessary to meet international standards, and to continue to adapt to market changes in areas such as financial technology (FinTech), climate change, and digitalisation.

When considering how to advance its objectives, there are a set of regulatory principles to which the PRA must also have regard. This includes regulatory principles from FSMA 2000, and considerations from **HMT's December 2022 letter** to the PRC on the Government's economic policy, the Equality Act 2010, the Legislative and Regulatory Reform Act 2006, and the Natural Environment and Rural Communities Act 2006. In its pursuit of its objectives, the PRA will review all the regulatory principles, identify which are significant to the proposed policy, and judge the extent to which they should influence the outcome being sought.

Furthermore, as part of the Bank, the PRA contributes to the delivery of the Bank's wider financial stability and monetary policy objectives, for example by:

- maintaining and, where appropriate, strengthening or updating prudential standards;
- being at the forefront of identifying new and emerging risks, and developing international policy; and
- ensuring that banks and other financial institutions can continue to provide essential services.

Strategic priorities for 2024/25

This year's business plan continues to be structured around the PRA's four strategic priorities, as set out in its **2023/24 Business Plan**. The PRA's strategic priorities for 2024/25 will remain unchanged because the PRA updated its priorities in 2023 to take account of its new powers, new secondary objective, and expanded role brought about by FSMA 2023. The strategic priorities for 2024/25 are to:

- maintain and build on the safety and soundness of the banking and insurance sectors, and ensure continuing resilience;
- be at the forefront of identifying new and emerging risks, and developing international policy;
- support competitive and dynamic markets, alongside facilitating international competitiveness and growth, in the sectors that we regulate; and
- run an inclusive, efficient, and modern regulator within the central bank.

PRA Business Plan 2024/25

This section sets out how the PRA will deliver its strategic priorities over the coming year.

Maintain and build on the safety and soundness of the banking and insurance sectors and ensure continuing resilience

During the decade following the financial crisis of 2007-09, the PRA designed and implemented extensive reforms that materially improved the safety and soundness of firms, insurance policyholder protection, and financial stability. Since then, the robust regulatory standards that the PRA has implemented and its strong international collaboration have played a key role in maintaining the resilience of the banking and insurance sectors, consistent with its objectives and those of the FPC. The PRA will continue to ensure that the firms it regulates remain adequately capitalised and have sufficient liquidity and stable funding profiles, with appropriately defined impact tolerances for disruption to their business services. The PRA's regulatory framework encourages PRA-regulated firms to take a holistic approach to managing risks by identifying, monitoring, and taking action to remove or reduce systemic risks.

The PRA's role as a rulemaker was further expanded following the introduction of FSMA 2023. Under the new regulatory **framework**, the PRA will continue to be a strong, accountable, responsive, and accessible policymaker, and make rules to meet its regulatory obligations, while adopting a risk-based approach, as set out in **CP27/23**, in a way that is tailored to the specific features of financial services in the UK. Among other things, the PRA will continue to faithfully implement agreed international standards and reforms in a way that best serves the UK. For example, in 2024 the PRA will publish its final rules on the implementation of the Basel 3.1 standards and on replacing relevant and/or remaining firm-facing Solvency II requirements from assimilated law with the PRA's own rules, which will become part of the PRA's Rulebook and other policy materials. In addition, the PRA will move further towards finalising and implementing the **Strong and Simple prudential framework**, which provides a simpler but robust set of prudential rules for non-systemic, domestic-focused banks and building societies in the UK.

The PRA will also continue to pay particular attention to the business opportunities and threats that are posed by changes in the economic environment, both in the UK and other jurisdictions, that could pose risks to the UK.

The PRA will continue to promote a strong risk culture among regulated firms, including a conscious and controlled approach to risk taking activities, and ensure that this is supported by adequate financial and non-financial resources. At the same time, the PRA will maintain a robust regulatory regime that is able to respond to the external factors that pose the greatest risk to firms' safety and soundness.

Risk factors also include global geopolitical risks, which have intensified over the past year. The PRA will continue to ensure that PRA-regulated firms are resilient to such risks by liaising with both domestic and international regulatory counterparts and continuing to monitor and engage with affected firms. Effective international collaboration remains central to addressing global risks and maintaining UK financial stability as well as the safety and soundness of internationally active firms.

The PRA will monitor and assess firms' ability to manage cyber threats through the ongoing use of threat-led penetration testing (**CBEST** and **STAR-FS**) and the cyber questionnaire (**CQUEST**). In collaboration with the FCA, including in response to known technology, cyber and third-party incidents, the PRA will continue to monitor and engage with firms on their execution of large and complex IT change programmes. Furthermore, the **FPC's cyber stress testing** has broadened the PRA's understanding of how operational disruptions such as cyberattacks may affect financial stability.

The PRA will continue to engage in collective action to develop a view on sector-wide risks, support the building of firm- and sector-level resilience, and enhance the sector's ability to respond to system-wide disruption. This will include ongoing sector engagement through the **Cross-Market Operational Resilience Group** (CMORG), which delivers industry guidance, response capabilities, and technical solutions, and through cross-jurisdictional coordination via the **G7 Cyber Experts Group** (CEG). Through CMORG, the PRA will deliver a sector-wide simulation exercise (SIMEX24) to assess the sector's resilience to major operational disruption. The PRA will continue to develop its ability to respond to operational incidents in the sector through its authorities (**Authorities Response Framework**) and sector (**Cross Market Business Continuity Group**) response mechanisms.

Financial resilience – banking

Implementation of the Basel 3.1 standards

In March 2023, the PRA concluded its **consultation** on proposals published in November 2022 about the parts of the Basel III standards that remain to be implemented in the UK ('Basel 3.1'). In September 2023, the PRA **announced** that it would split the publication of the near-final Basel 3.1 rules in two, moving implementation back by six months to 1 July 2025 to reduce the transitional period to 4.5 years and ensure full implementation by 1 January 2030, in line with the proposals set out in **CP16/22.** The first near-final PS17/23 – **Implementation of the Basel 3.1 standards near-final part 1** covering market risk, credit valuation adjustment risk, counterparty credit risk, and operational risk, was published in December 2023. The PRA will publish the second near-final PS, covering the remaining elements of credit risk, the output floor, as well as Pillar 3 disclosure and reporting requirements, in due course.

The near-final rules from the two PSs will be made final once Parliament has revoked the relevant parts of the Capital Requirements Regulation (CRR). The PRA expects this to happen later in 2024. In addition to finalising Basel 3.1 rules, the PRA will continue to increase its supervisory focus on firms' implementation plans.

Bank stress testing

The concurrent stress testing of firms is one of the key tools used by the PRA and the Bank to support their microprudential and macroprudential objectives. Banking stress tests examine the potential impact of a hypothetical scenario on the major UK banks and building societies that make up the banking system, and on the system as a whole. The PRA normally runs two types of banking stress test – the annual cyclical scenario and other exploratory scenarios.

In 2024, the PRA will support the Bank in taking stock of and updating its framework for concurrent bank stress testing. The stocktake will draw on lessons from the first decade of concurrent stress testing, and so ensure that the framework continues to support the FPC and PRC in meeting its objectives. The PRA will also contribute to supporting the Bank's desk-based stress test in 2024, which is being conducted in place of an ACS. The desk-based exercise will make use of the PRA's risk expertise along with models developed in the PRA and elsewhere in the Bank to test the financial resilience of the UK banking system under more than one adverse macroeconomic scenario. Stress testing exercises involving firm submissions of stressed projections are currently expected to resume in 2025.

In addition, the Bank is conducting a **system-wide exploratory scenario (SWES),** working closely with and with the full support of the PRA, FCA, and TPR (The Pensions Regulator). The exercise was launched in June 2023 and aims to improve the understanding of the behaviours of banks and non-bank financial institutions (NBFI) in stressed financial market conditions. The participating firms in this exercise are representative of markets that are core to UK financial stability.

Private equity and credit

The evolving macro environment is expected to challenge firms' approach to risk management, increasing the need for robust governance, risk management, and controls. One area of focus for the PRA will be exposures to NBFI, particularly any challenges that may manifest around the trend toward illiquid private equity financing and private credit. The PRA will continue to closely monitor private asset financing and the way that firms consider the risks they could face from these activities. In particular, the PRA will look for further improvements in firms' ability to identify and assess correlations across financing activities with multiple clients.

Replacing assimilated law

HMT has prioritised the CRR as one of the initial areas of focus in the process of transferring assimilated law into the supervisory authorities' rules and legislation following the enactment of FSMA 2023. The latter granted the PRA expanded rulemaking powers to replace assimilated law with PRA rules, thereby moving towards a more British system of regulation. In 2024/25, the PRA will consult on proposed rules to replace, with modifications where appropriate, the relevant firm-facing provisions in Part Two of the CRR.

Model risk management (MRM) and internal ratings-based approach/hybrid models

Banks' use of and reliance on models and scenario analysis to assess future risks has increased significantly over the past decade. The introduction of new, sophisticated modelling techniques – including the potential use of Artificial Intelligence and Machine Learning (AI/ML) – has highlighted the need for sound model governance and effective model risk management practices.

In 2023, the PRA published a supervisory statement (SS)1/23 – **Model risk management principles for banks**, which applies to firms with internal model (IM) approval to calculate regulatory capital requirements. It is structured around five high-level principles that set out the core disciplines necessary for a robust model risk management framework to manage model risk effectively across all model and risk types. The adoption of these principles will help banks to develop good practices of model risk management, raising prudential standards at banks operating in the UK. The new policy comes into effect on 17 May 2024. Banks within the scope of the policy are expected to conduct an initial self-assessment against these principles, and, where relevant, prepare remediation plans to address any identified shortcomings.

During 2024, the PRA will focus on how banks are embedding and implementing the expectations set out in SS1/23. In particular, the PRA will seek to understand the extent to which banks' management teams are adopting the principles and promoting the management of model risk as a risk discipline in its own right across their firms.

The PRA has published a range of policy statements on changes to the **internal ratings-based (IRB)** approach to credit risk over recent years.[6] The PRA will continue to work with firms as they progress their model approval and review submissions in line with these requirements and expectations. The PRA will focus on the 'hybrid' approach to mortgage modelling, and the IRB repair programme, both carried forward from previous years.

Where appropriate, firms are holding post-model adjustments (PMAs) in the form of risk-weighted asset (RWA) add-ons, helping to mitigate potential capital underestimation while they develop their new models. During 2024, the PRA will continue to assess the adequacy of the PMAs to ensure any potential capital underestimation is addressed.

Liquidity risk management

The events of 2023 brought a further focus on the liquidity and funding risks faced by deposit takers, in particular the deposit outflows experienced by CS and SVB leading up to their acquisition and resolution, respectively.

The PRA will continue its close supervision of firms' liquidity and funding risks in light of recent stresses. Through its ongoing supervision of banks and building societies, the PRA will follow up on how firms are taking account of the lessons they learnt from the events at CS and SVB. The PRA will continue to use its regular programme of **Liquidity Supervisory Review and Evaluation Processes** (L-SREPs) across PRA-authorised firms to assess their liquidity and funding risks, in quantitative and qualitative terms, and to ensure appropriate financial and non-financial resources are in place to manage and mitigate these risks.

The PRA will also continue to engage with firms and within the wider Bank on PRA-authorised firms' access to the Bank's **Sterling Monetary Framework**.

The PRA will also monitor closely how firms consider changes in depositor behaviour in the current funding environment and proactively take into consideration forthcoming changes in bank funding and liquidity conditions.[7]

Credit risk management

The PRA is closely monitoring firms' credit risk management practices given the uncertain credit risk outlook across key markets. The PRA's assessment will include a focus on how credit risk management practices have evolved – in particular, how they can remain robust and adaptable to changing conditions, whether there is appropriate consideration of downside and contagion risks, as well as firms' monitoring and planning for the impacts of customer refinancing. The PRA will undertake a thematic review of smaller firms' credit risk management frameworks during 2024/25.

The PRA will monitor changes to firms' business mix and credit exposures, and continue to monitor vulnerable segments, including cyclical sectors and key international portfolios, as well as traditionally higher-risk portfolios such as buy-to-let, credit cards, unsecured personal loans, small to medium-sized enterprises, leveraged lending, and commercial real estate. In addition, counterparty credit risk will remain a key area of supervisory focus through 2024, especially exposures to NBFI across certain business lines.

Separately, in 2024, the PRA will continue to progress its review of regulatory policies to assess whether the policy framework for trading book risk management, controls, and culture is adequate, robust, and accessible.

Capital

The UK banking system is well capitalised. However, the overall operating and risk environment remains challenging, and firms must manage their financial resilience to ensure that the financial sector can continue to support businesses and households. The PRA will continue to assess firms' capital positions and planning, including firms' use of forward-looking capital indicators, stress testing, and contingency plans.

The PRA intends to review its Pillar 2A methodologies (see section 'Review of the Pillar 2 framework' of **PS17/23**) for banks after the rules on Basel 3.1 are finalised, with a view to consulting on any proposed changes in 2025.

Securitisation regulation

HMT has prioritised the **Securitisation Regulation** as one of the initial areas of focus in the process of transferring assimilated law into regulatory rules and legislation following the enactment of FSMA 2023. The PRA will publish its final policy (simultaneously with the FCA) on final rules to replace or modify the relevant firm-facing provisions in the Securitisation Regulation and related Technical Standards in 2024-25.

The PRA also intends to consult on draft PRA rules to replace firm-facing requirements, subject to HMT making the necessary legislation. The PRA has gathered views and evidence from firms through DP3/23 – **Securitisation: capital requirements**, which will inform its approach to capital requirements for securitisation.

Financial resilience – insurers

Solvency UK implementation

In June 2024, the PRA will publish its final policy on the matching adjustment (MA) reforms set out in CP19/23 – **Review of Solvency II: Reform of the Matching Adjustment**. The majority of these reforms will take effect from end-June to allow PRA-authorised firms to take immediate advantage of new investment opportunities. The remaining Solvency II reforms consulted upon in CP12/23 – **Review of Solvency II: Adapting to the UK insurance market** will take effect on 31 December 2024.

To facilitate implementation of the reforms consulted on in CP12/23 and CP19/23, the PRA will streamline the application processes for new internal model permissions and variations of existing permissions. There will be similar proposals for MA permissions, if the final policy is the same as set out in the CP. The PRA remains committed to assessing and providing decisions on applications for permissions as quickly as possible and aims to do this within the timescales published in the associated statements of policy. This will be supported by the establishment of dedicated, specialised teams for reviewing applications.

In practice, delivering timely decisions will in part depend on good engagement between firms and the PRA during the application process, and on the preparation of high-quality and complete applications by firms. To facilitate this, the PRA will publish templates for use by firms, including templates for reporting the updated Matching Adjustment Asset and Liability Information Return (MALIR) and the Analysis of Change (AoC) and Quarterly Model Change (QMC) for internal models. These measures are intended to assist with a smooth transition to the Solvency UK regime.

A variety of proposals were made in responses to CP19/23 to further reform the MA in the form of so-called 'sandboxes', which would allow an element of self-certification of eligibility, or a route to further expand eligibility in response to innovations in primary financing markets. In 2024, the PRA will explore these proposals with industry with the goal of determining whether they can be developed into schemes that further advance the objectives of the Solvency II review.

Solvency II reporting reforms

To deliver the regulatory reporting and disclosure reforms consulted on in **CP14/22** and **CP12/23**, the PRA published PS3/24 – **Review of Solvency II: Reporting and disclosure phase 2 near-final**, including finalised templates and instruction files. The PRA will also publish a finalised single **taxonomy** package in 2024 Q2, which encompasses proposals in **CP14/22** and **CP12/23**, and deletions published in **PS29/21**. The PRA will engage with firms, including through industry roundtables, to prepare them in meeting the new reporting requirements coming into force from 31 December 2024.

Solvency II transfer

The PRA will publish a CP in 2024 H1 that will set out how it will transfer the remaining Solvency II requirements from assimilated law into the PRA Rulebook and other policy material such as supervisory statements or statements of policy ('the UK framework').

This will provide a more comprehensive **Rulebook** and will make it easier for firms to access and navigate the rules that apply to them.

Insurance stress testing

Stress testing forms an important part of the PRA's **supervisory approach** and risk assessment of insurance firms, helping to assess and identify the vulnerabilities of life and general insurance sectors to a range of risks in different scenarios.

Major life insurers participate in regular and concurrent stress testing prescribed by the PRA, and the next test will take place in 2025. For the first time, the PRA will publish the individual results of the largest annuity-writing firms to help inform stakeholders about the level of firms' resilience in the scenarios set out, and thereby strengthen market discipline.

The PRA will continue to engage with the industry on the technical, operational, and communication aspects of the stress test, and will publish an approach document for the life insurance stress test 2025. The 2025 test will for the first time include an exploratory scenario to assess exposure to the recapture of funded reinsurance contracts.

For general insurers, the PRA has previously conducted four general insurance stress test exercises between 2015 and 2022. In 2025, the PRA will run its **first dynamic stress test**. The objectives of the exercise will be to:

- assess the industry's solvency and liquidity resilience to a specific adverse scenario;
- assess the effectiveness of insurers' risk management and management actions following an adverse scenario; and
- inform the PRA's supervisory response following a market-wide adverse scenario.

The dynamic nature of the 2025 exercise represents a significant change from previous exercises and will involve simulating a sequential set of adverse events over a short period of time. The PRA has begun engaging with industry trade bodies and will provide more details of this exercise (including participation, design, and timelines) during 2024. Results of this exercise will be disclosed at an aggregate industry level.

Cyber underwriting risk

As the scope of technology continues to expand globally, **cyber underwriting risk** has become increasingly relevant, as reflected in the actual and planned growth of cyber insurance within the UK sector. As well as being inherently volatile and systemic in nature, cyber underwriting risk is diverse in how it can manifest in different lines of business.

Given the uncertainty of this risk, robust risk management, risk appetite-setting, and stress testing will be important factors in ensuring that capital and exposure management capabilities reflect firms' actual exposures.

Monitoring and assessing cyber underwriting risk will be at the core of the PRA's supervisory focus, particularly for firms with material exposures. The PRA will share the aggregate findings of its recent thematic project focused on cyber underwriting risk with industry, and continue to monitor the risk landscape and market dynamics to identify and assess potential risk drivers, including areas such as contract (un)certainty risk.

Model drift

The PRA will continue its scrutiny of internal models used by insurers to calculate capital requirements and aid risk management, to identify potential trends in the strength of firms' calibrations, and as an indicator of the effectiveness of firms' risk management.

In its 2023 **model drift analysis**, the PRA identified a number of findings across firms using internal models within the non-life sector. These are related to levels of allowances for inflation uncertainty, potential optimism in expected underwriting profits, potential optimism in the cost and benefit of reinsurance, and the limited allowance for economic and geopolitical uncertainties.

In 2024, the PRA will address perceived systemic trends that may weaken the robustness of models used across the market as a whole. The PRA will also focus on specific model drift within individual firms, with an emphasis on improving the effectiveness of internal model validation, so that firms can develop the capability to self-identify and address potential challenges.

Funded reinsurance

In 2024, the PRA will continue to pay close attention to the rapidly increasing use of funded reinsurance transactions in the UK life insurance market, and the risks that the growth in their use may pose to policyholder protection and UK financial stability. The PRA is particularly focused on the risk of an erosion in standards for assets used as collateral in these transactions, and individual and sectoral concentrated exposures to correlated, credit-focused counterparties.

As well as preparing to examine exposures to the recapture of funded reinsurance in the 2025 life insurance stress test, in 2024. The PRA will also, subject to responses to CP24/23 – **Funded reinsurance**, finalise and implement its policy expectations for UK life insurers that use funded reinsurance arrangements. As stated in the PRA's letter on '**Insurance supervision: 2024 priorities**', these policy expectations will cover how firms should manage risks associated with funded reinsurance at both individual transaction and at aggregate level. This will include the expectation that firms place limits on their activities to ensure sound risk management.

Impact on general and claims inflation

Claims inflation continues to be a significant risk for general insurers. Following a thematic review, the PRA published a **Dear Chief Actuary** letter in June 2023 setting out its findings that, while reserves have increased, there remains material uncertainty and the potential for excessive optimism with respect to reserving, pricing, and capital and reinsurance planning.

The PRA expects a continued lag in the emergence of claims inflation in the data, which insurers should be alert to. The PRA will continue to monitor the ongoing impact through the regulatory data collected and supervisory activities throughout 2024. Should the PRA's assessment of this risk change, further focused work may be considered.

Liquidity risk management

Market-wide stresses in March 2020 and September 2022 highlighted gaps in insurers' liquidity risk management frameworks and, consequently, the importance of having comparable, accurate, and timely information on insurers' liquidity. The PRA will build on the existing liquidity framework, currently based on risk management expectations set out in SS5/19 – **Liquidity risk management for insurers**, and develop liquidity reporting requirements for insurance firms most exposed to liquidity risk. The information collected will be used to supervise firms' liquidity positions more effectively and produce meaningful peer comparisons. The PRA will work closely with firms to inform them about its development of these requirements and explore the necessity of a minimum liquidity requirement as part of a future policy consultation.

In addition, the Bank has signalled its intention to develop a new **lending tool for eligible NBFIs** to help tackle future episodes of severe dysfunction in core markets that threaten UK financial stability. The development of the PRA's approach to supervising liquidity will therefore inform the design of the lending tool as it relates to insurers.

Credit risk management

The reforms to **Solvency II** offer life insurers opportunities to expand the range of credit risk assets that are used to back their annuity liabilities, and enable them to meet their commitment to invest in assets that contribute to the productivity of the economy and the transition to net zero. These opportunities require sophisticated credit risk management, and insurers' capabilities will remain a key focus. Increased activity in the bulk purchase annuity (BPA) market is expected to lead to further growth in firms' exposure to credit risk, and potentially to concentrations in exposure to internally valued and rated assets.

The PRA will continue to focus on the effectiveness of firms' credit risk management capabilities and seek further assurance that firms' internal credit assessments appropriately reflect the risk profile of their asset holdings. The PRA will assess how firms' credit risk management frameworks are evolving in line with its supervisory expectations, and also review the suitability of firms' current and forward-looking internal credit assessment validation plans and approaches. In both cases, the PRA will seek to provide feedback on a firm-specific or thematic basis as appropriate.

Regulatory reforms

Operational risk and resilience (including the implementation of the critical third-party regime)

Operational disruption can impact financial stability, threaten the safety and soundness of individual firms and financial market infrastructures, or cause harm to consumers, policyholders, and other parts of the financial system. The PRA defines **operational resilience** as the ability of firms and the financial sector to prevent, respond to, recover, and learn from operational disruptions, including cyber threats.

The FCA, Bank, and PRA's **operational resilience** policies came into force in **March 2022**. Firms have now identified their most important business services, set impact tolerances, and commenced a programme of scenario testing. The PRA will continue to work closely with the FCA to assess firms' progress, with a particular focus on the ability of firms to deliver important business services within defined impact tolerances during severe but plausible scenarios over a reasonable time frame, and no later than March 2025.

The PRA will also continue to monitor threats to firms' resilience, including their growing dependency on third parties, while respecting the principle of proportionality.

Critical third parties to the UK financial sector

Section 312L of FSMA 2023 gave HMT the power to **designate** certain third-party service providers as 'critical' if they provide services to the financial sector, which, if disrupted or subject to failure, could cause financial stability concerns or risks to the confidence in the UK's financial system. Prior to designating these parties, HMT must consult with the Bank, PRA, and FCA (the authorities the Act appoints as Regulators of the new regime). FSMA 2023 also gives the Regulators new powers to oversee the services provided by critical third parties (CTPs) to regulated firms. In December 2023, the PRA, Bank, and FCA jointly published CP26/23 – **Operational resilience: Critical third parties to the UK financial sector**, proposing how these powers could be used to assess and strengthen the resilience of services provided by CTPs to firms and FMIs, thereby reducing the risk of systemic disruption. The PRA will continue to work with other authorities to develop the final policy and oversight approach in 2024.

Additionally, the PRA is developing regulatory expectations on incident reporting, aligned with its operational resilience expectations.

Review of enforcement policies

Enforcement supports and supplements the PRA's regulatory and supervisory tools by ensuring that it has credible mechanisms for holding regulated firms to account when they do not meet requirements and expectations. Enforcement policies also provide a wider deterrent effect. The PRA is therefore committed to holding individuals to account and, when appropriate, taking regulatory and/or enforcement action against those individuals that breach its standards. The PRA clearly sets out, for the benefit of the whole regulated community, the actions and standards of behaviour that are considered unacceptable (**The Bank of England's approach to enforcement**).

In January 2024, following a review of its policies and public consultation, the PRA published PS1/24 – **The Bank of England's approach to enforcement**, which sets out the revised approach to enforcement across the Bank's full remit (including when acting as the PRA).

The PRA is committed to conducting any enforcement investigations as promptly and efficiently as possible. In line with that aim, PS1/24 introduced a new Early Account Scheme (EAS or 'the Scheme'), which provides for a new path for early cooperation and greater incentives for early admissions with the aim of reaching outcomes more quickly in specific cases.

Diversity and inclusion in PRA-regulated firms

Enhancing diversity and inclusion (D&I) can support better governance, decision-making, and risk management in firms by reducing groupthink and promoting a culture that allows employees to feel able to speak up and challenge the status quo.

In September 2023, the PRA published CP18/23 – **Diversity and inclusion in PRA-regulated firms**. Under the proposals, all in-scope firms would need to understand their D&I position, develop appropriate strategies to make meaningful progress, and monitor and report on progress. The proposals are flexible and carefully tailored to recognise that firms are at different stages of their work on D&I, and, most importantly, are best placed to develop their own D&I solutions.

The PRA also outlined that the proposals in CP18/23 contribute towards its secondary objectives of ensuring effective competition and facilitating competitiveness and growth, because enhanced D&I can help support greater innovation and make firms more attractive in the labour market.

In 2024, the PRA will continue its industry engagement, assess responses to CP18/23, and provide a further update in due course.

Be at the forefront of identifying new and emerging risks, and developing international policy

The PRA maintains flexibility to adapt and respond to changes in the external environment, economic and market developments, and any other risks that may affect its statutory objectives or priorities. The PRA has continued to use its horizon-scanning programme to achieve the following aims:

- identify emerging external risks, regulatory arbitrage, and potentially dangerous practices;

- highlight features of the regulatory regime that are not yet delivering the desired results; and
- allocate supervisory and policy resources to tackling the highest-priority risks in a timely manner.

Consistent with its mission, the PRA will continue to contribute to lessons learned internationally, policy/standards evaluation, and, in particular, internationally agreed standards with the aim of promoting the safety and soundness of the firms it regulates. For example, in 2024/25, the PRA will continue to focus on identifying and addressing emerging risks internationally, working closely with the BCBS on its response to consultations **launched** in 2023 (including on cryptoassets; disclosure for climate-related financial risks; and the **Basel Core Principles** and other outstanding work in support of its **2023/24 work programme and strategic priorities**). The PRA will also continue to work closely with the **International Association of Insurance Supervisors (IAIS)** on its finalisation of the **Insurance Capital Standard (ICS),** **Insurance Core Principles on valuation (ICP 14)** and **capital adequacy (ICP17)**

In addition, the PRA will continue to monitor the potential for capital and profit erosion in firms that are slower to adopt new technologies, as well as firms' involvement in new technologies, and changes in the profile of cyber-risks they face.

International engagement and influencing regulatory standards

The PRA plays a leading role in influencing international regulatory standards and will continue to participate actively in global standard-setting bodies, such as the **Basel Committee on Banking Supervision (BCBS)** the IAIS, and the **Financial Stability Board (FSB)**

Building on the BCBS's **report on the 2023 banking turmoil** the PRA will work with international stakeholders and the BCBS to strengthen supervisory effectiveness and identify issues that could merit additional guidance at a global level. The PRA will work with BCBS to pursue additional follow-up analytical work based on empirical evidence to assess whether specific features of the **Basel Framework** have performed as intended, such as liquidity risk and interest rate risk in the banking book, and assess the need to explore policy options over the medium term, alongside supporting the BCBS in pursuing its medium-term programme on evaluating the impact and efficacy of Basel III, and in light **of lessons drawn from the Covid-19** pandemic.

In addition, the PRA pursues international collaboration through less formal mechanisms, for example through regular bilateral and trilateral engagements, ensuring close collaboration on a number of supervision, risk, and policy topics of joint interest. The PRA also collaborates internationally on joint global thematic reviews with other regulatory authorities, for example, to address a joint interest in banks' exposures to NBFIs and the use of critical third parties.

The PRA will also continue to support international efforts to monitor and promote consistent implementation of Basel 3.1, as well as the implementation and monitoring of the ICS.

Supervisory co-operation

Effective international collaboration remains crucial to addressing global risks, and is central to maintaining UK financial stability, the safety and soundness of internationally active firms, and reducing regulatory arbitrage.

The PRA will continue to promote international collaboration through supervisory colleges and set out clear expectations for firms wanting to branch into the UK. The PRA will also maintain its existing memoranda of understanding (MoUs) and, if needed, expand the number of jurisdictions with which it has an MoU to facilitate the supervision of international groups and therefore enhance the safety and openness of the UK for financial services activities.

The PRA will continue to support HMT via its international collaboration activities (eg **The Berne Financial Services Agreement**) and with assessments of other jurisdictions to facilitate safe access to overseas markets for UK firms, among other benefits.

Overseas bank branches

The PRA will consult on targeted refinements to its approach to banks branching into the UK, reflecting lessons from the failure of SVB to ensure the PRA's framework for assessing branches captures activities of potential concern. The PRA is committed to the UK remaining a responsibly open jurisdiction for branches, and expects the vast majority of branch business to be unaffected by any changes. The PRA also intends to consult on clarifying expectations for group entity senior manager functions (SMFs)[8] and expectations of booking arrangements.

Operational and cyber resilience

The PRA engages internationally on operational and cyber resilience, in support of its supervision objectives and to raise international standards. The PRA co-chairs the G7 Cyber Expert Group (CEG), which works to coordinate cyber resilience strategy and management across G7 jurisdictions. The PRA also co-chairs the **European Systemic Cyber Group** (ESCG), which helps European authorities develop systemic capabilities to prevent and mitigate risks to the financial system that might emanate from cyber incidents. The PRA has also led work at the **Financial Stability Board** (FSB) on cyber incident reporting. In 2024, the PRA will continue to engage with standard-setting bodies and bilaterally with other jurisdictions on third-party risk management and CTPs.

Managing the financial risks arising from climate change

Climate change presents a source of material and increasing financial risk to firms and the financial system. Managing the risks to firms' safety and soundness from climate change requires action and remains a key priority for the PRA. The Bank first set out expectations around enhancing banks' and insurers' approaches to managing the financial risks emanating from climate change in April 2019 via SS3/19 – **Enhancing banks' and insurers' approaches to managing the financial risks from climate change**. The PRA has since provided further guidance via two Dear CEO letters,[9] incorporating observations from supervisory processes and **the 2022 Climate Biennial Exploratory Scenario exercise**, as well as by providing thematic feedback via Dear CFO letters[10] to promote high-quality and consistent accounting for climate change**.**

As noted in its **2024 priorities letter** to firms, the PRA expects firms to make further progress and demonstrate how they are responding to the PRA's expectations, and to set out the steps they are taking to address barriers to progress. The PRA will continue to assess firms' progress in managing climate-related financial risks. In 2024, the PRA will commence work to update **SS3/19** and publish thematic findings on banks' processes to quantify the impact of climate risks on expected credit losses.

The PRA, alongside the FCA, will continue to work with industry through the **Climate Financial Risk Forum** to produce practical guides and tools that help financial firms embed the financial risks from climate change into their operations. The PRA will also continue to engage with domestic and international partners, including international standard-setters, to contribute to the development of international frameworks in support of managing climate-related risks.

Artificial Intelligence and Machine Learning

Following the publication of a feedback statement (FS)2/23 – **Artificial Intelligence and Machine Learning**, the PRA and FCA intends to conduct the third edition of the joint survey on **machine learning in UK financial services**, in 2024 Q2. Responses to the survey will allow the PRA and FCA to further explore how best to address the issues/risks posed by AI/ML in a way that is aligned with the PRA's and FCA's statutory objectives. The PRA will also continue to monitor firms' compliance of its expectations, as set out in **SS1/23**, and will seek to explore further updates where necessary.

International policy on digitalisation and managing associated risks

The PRA aims to be at the forefront of identifying and responding to opportunities and risks faced by PRA-authorised firms as they seek to use technology in innovative ways to attract and retain customers, reduce costs, and increase efficiencies.

External context and business risk are important facets of the PRA's approach to supervision. Developments are monitored, with specialist input from the Bank's **Fintech Hub**, to identify risks such as fragmentation of the value chain, novel outsourcing arrangements, and concentration risks across and within firms.

In order to take a responsive and responsibly open approach, the PRA will continue to consider policy proposals to respond to digitalisation and adapt its supervisory approach accordingly. Through the **New Bank Start-up** and **Insurer Start-Up** Units, the PRA will continue to engage with applicant firms that have novel uses of technology. The PRA will continue to work closely with domestic and international partners, and through engagement with industry and stakeholders, to take a pro-active approach to digital innovations within the financial sector.

The PRA is a significant contributor to discussions on digitalisation in international standard-setting fora, and will continue to support the BCBS's work on the developments in the digitalisation of finance and the **implications for banks and supervisors** The PRA will also continue be an active part of the **IAIS Fintech Forum.**

Digital money and innovation

In February 2023, HMT published a consultation and Call for Evidence on the **future financial services regulatory regime for cryptoassets** focused on enhancing market integrity, custody requirements, and transparency. The consultation closed in October 2023 with the publication of an **update** on the government's plans for its legislative approach to the regulation of stablecoins. HMT confirmed that tokenised deposits would continue to be regulated as deposits. The PRA will continue to work with HMT and the FCA to ensure that the regulatory perimeter and the boundaries between different activities are clearly and robustly delineated.

In November 2023, the Bank, PRA, and FCA published a **cross-authority package on innovations in money and payments**. As part of this, the PRA published a **Dear CEO letter** to provide clarity on the PRA's expectation on how deposit-takers should address risks arising from the emergence of multiple forms of digital money and money-like instruments.[11] It published the letter alongside the Bank's proposed regime for **systemic payment systems using stablecoins and related service providers**, and the **FCA's proposed** regime for stablecoin issuers, custodians, and the use of stablecoins as a means of payment. A **roadmap paper** was also published to explain how these regimes fit together.

The PRA will continue to contribute to the Bank's broader work on innovation in money and payments, which in 2024 will include work on wholesale payments and settlements – and their interaction with retail payments.

In 2024, the PRA will continue to work within the global regulatory community to finalise a set of amendments made to the international standard on the treatment of banks' cryptoassets exposures. These **amendments** were published for consultation by the Basel Committee in December 2023, following the finalisation of the standard in 2022.

Once the amendments are finalised, the PRA will implement the standard within the UK, following the PRA's policymaking process. Alongside this, the PRA will continue to engage with international partners, including the BCBS, to assess bank-related developments in cryptoassets markets, the role of banks as issuers of stablecoins and tokenised deposits, custodians of cryptoassets, and potential channels of interconnections with the cryptoassets ecosystem.

Support competitive and dynamic markets, alongside facilitating international competitiveness and growth, in the sectors that we regulate

The PRA advances its primary and secondary objectives by making rules that support competitive and dynamic markets in the sectors that it regulates. The PRA will go further in developing proportionate and efficient prudential requirements, thereby reducing the burden on firms where appropriate, and pursuing its secondary objectives. The PRA also remains committed to playing an active role in international standard-setting, given the important role of global rules in safeguarding the UK's open economy through ensuring safe financial markets.

Regulatory change – embedding the PRA's approach to rule-making

FSMA 2023 has significantly changed the powers and responsibilities of the PRA, allowing it to ensure the UK financial services framework is fit for the future, reflecting the UK's position outside of the EU. FSMA 2023 also introduces enhanced objectives and accountability requirements that support the PRA's transparency and accountability to Parliament.

FSMA 2023 provides a framework to repeal and replace assimilated law relating to financial services. Most technical rules will now be made by operationally independent regulators within a framework set by Parliament, enabling the PRA to deliver policies better suited to the UK financial sector. The PRA's responsibility, in cooperation with HMT and FCA, is to ensure that the new rules are made in accordance with the PRA's remit and statutory objectives, including the new secondary competitiveness and growth objective.

The PRA has worked closely with HMT and FCA on the sequencing of the repeal and the replacement of the files of assimilated law. Once the replacement material is in PRA rules, the PRA will have the power to evaluate these rules, amend them if needed, and/or create new rules when required.

The PRA has already made good progress with respect to the files that HMT has **prioritised** into the first two 'tranches', including key files such as Solvency II, Securitisation, CRR, among others. The PRA has consulted on significant parts of tranches 1 and 2 in 2023 and will continue this work throughout 2024 and 2025. The completion of the repeal and replacement of Solvency II and Securities Regulation files is expected by the end of 2024, and the last of the PRA's tranche 1 and 2 files is planned for implementation in 2026. Work on the remaining files that were not included in tranches 1 and 2 will begin in 2024.

The PRA is consulting its stakeholders as it develops its approach to policymaking in light of the new requirements. In December 2023, the PRA published **CP27/23**, setting out the proposed approach to policy under the regulatory framework as amended by FSMA 2023, and building on the previously published DP4/22 – **The Prudential Regulation Authority's future approach to policy**. CP27/23 outlines the PRA's planned approach to maintain robust prudential standards, which are the cornerstone of UK financial stability and long-term economic growth, while addressing risks and opportunities in a responsive manner, appropriately adapted to the circumstances of the UK. Responses to CP27/23 will inform the PRA's finalised approach document to be published in 2024 H2.

Secondary competitiveness and growth objective (SCGO)

FSMA 2023 gave the PRA a new secondary objective which requires the PRA to act, so far as reasonably possible, to facilitate the UK economy's international competitiveness (including in particular the financial services sector through the contribution of PRA-authorised persons) and its growth over the medium to long term, subject to alignment with international standards. FSMA 2023 maintained the PRA's other objectives without change.

In addition to specific policy measures, the PRA has taken practical steps to embed the SCGO in its operations, including through internal changes, and the launch of a research programme to deepen its understanding of the ways prudential requirements can affect the international competitiveness and growth of the UK economy.

The PRA will continue to look for ways in which it can facilitate the UK's competitiveness and growth when discharging its general functions. The approach focuses on strengthening the three regulatory foundations that were set out in CP27/23, specifically:

- Maintaining trust among domestic and foreign firms in the PRA and UK prudential framework via a range of policies, including those that promote strong prudential

standards appropriately calibrated for the UK, and the alignment of said policies with international standards.
- Adopting effective regulatory processes and engagement, including providing for the efficient handling of regulatory processes, such as authorisations and data collections, as well as facilitating the accessibility of the PRA Rulebook to reduce the operating costs of firms.
- Taking a responsive and responsibly open approach to UK risks and opportunities, including making rules that account more effectively for the needs of the UK. This approach means responding faster to emerging risks and opportunities in the UK financial sector, for example, by using regulatory tools to support innovation safely. To this end, in 2024, the PRA will hold a pilot roundtable to gather stakeholders' views on how the PRA can help to reduce the barriers to innovation that the industry faces.

The policy initiatives discussed in the rest of this section provide examples of how the PRA will advance its secondary objectives in 2024/25.

Furthermore, the Bank's **Independent Evaluation Office** (IEO) is evaluating the PRA's approach to its new secondary objective. Both the outcome of the IEO's evaluation and the PRA's response to it will be included in the PRA's – 'Secondary Objectives Report' to be published alongside the PRA's Annual Report 2023/24. The Secondary Objectives Report will also give an overview of all the PRA's policy initiatives that have advanced the **SCO and the SCGO**.

Strong and Simple framework

In 2021, the PRA published DP1/21 – **A strong and simple prudential framework for non-systemic banks and building societies**, that set out a vision to simplify prudential requirements for smaller, domestic-focused banks and building societies, while maintaining those firms' resilience.

As outlined in the PRA **2023/24 Business Plan**, the PRA will continue its planned programme of work on creating a simpler but equally resilient prudential framework for smaller, domestically focused banks and building societies, known as the Strong and Simple framework. This framework is designed to maintain the financial resilience of banks and building societies operating in the UK, while reducing costs associated with prudential requirements for non-systemic banks and building societies. In 2023/24, the PRA published its final policy on scope criteria and simplified liquidity and disclosure requirements for SDDTs in **PS15/23.**

In December 2023, the PRA published PS15/23 – **The Strong and Simple Framework: Scope criteria, liquidity and disclosure requirements**, which finalises the scope of the framework. The PS builds on the first layer of the Strong and Simple framework, which focused on the smallest firms and is known as the SDDT regime. The overall aim of the framework is to maintain the financial resilience of banks and building societies operating in the UK, while addressing the 'complexity problem,' under which the same prudential requirements are applied to all firms, regardless of size, even though the costs of interpreting and operationalising those requirements are higher for small firms, relative to the associated public policy benefits.

In 2024/25, the PRA will move further towards finalising and implementing the Strong and Simple prudential framework for SDDTs. A key step will be to implement the simplifications to liquidity requirements that were introduced in Phase 1. The PRA will also finalise the rules for the Interim Capital Regime, which will allow firms eligible to be SDDTs to stay under capital rules equivalent to those currently in place until the simplified capital regime for SDDTs is implemented. The PRA plans to consult on a simplified capital regime for SDDTs in 2024 Q2.

Insurance Special Purpose Vehicles regime

In 2017, the PRA introduced a framework for the authorisation and supervision of **ISPVs** to provide guidance for parties wishing to obtain authorisation as an ISPV, or for insurers and reinsurers seeking to use UK ISPVs as risk mitigation in accordance with Solvency II.

The UK ISPV regime has not seen as much activity as originally envisaged. While new issuances of insurance-linked securitisations (ILS) transactions in the UK over the last two years have exceeded USD400 million, there are steps to be taken which can improve the regime and increase its usage.

The PRA has been in discussion with industry on this matter with the aim of understanding the key areas of the regime in which market participants would recommend changes.

The PRA expects to consult on a package of reforms to the UK ISPV regime. These reforms are intended to:

- allow a wider range of transaction structures in the UK regime;
- improve the speed of the application process, and thereby also reduce costs for applicants; and
- clarify the PRA's expectations of UK insurers who cede risks to ISPVs, wherever they are established.

Remuneration reforms

The PRA's remuneration rules ensure that key decision-makers and material risk-takers at PRA-regulated firms have the right incentives and can be held accountable. In 2023, following consultation, the PRA removed the **bonus cap** and made changes to its rules to **enhance proportionality for small firms**.

In advancing its primary and secondary objectives, the PRA is considering further changes to the remuneration regime that is better suited to the UK's financial sector, while maintaining the remuneration regime's overall structure and objectives, which are based on internationally agreed **FSB principles and standards**. The PRA intends to consult on any changes in 2024 H2.

Implementing changes to the Senior Managers & Certification Regime (SM&CR)

In March 2023, the PRA and FCA jointly published DP1/23 – **Review of the Senior Managers and Certification Regime (SM&CR)**, with a particular focus on gathering views about the regime's effectiveness, scope, and proportionality. HMT in parallel launched a **Call for Evidence** covering the legislative aspects of the SM&CR. The period for sending responses to the discussion paper ended on 1 June 2023.

The PRA received over 90 responses relevant to its work as a prudential regulator, reflecting the significant level of stakeholder interest in the regime. The PRA, working closely with the FCA and HMT, is considering potential policy options for reform in response to the comments received and intends to consult on proposed changes to the regime in 2024 H1.

Complete the establishment of the Cost Benefit Analysis (CBA) Panel

The PRA is continuing to make progress under the new framework provided by FSMA 2023, setting out CBA as an integral part of developing the best possible policy approach, and the results will help shape the PRA's policymaking. CBAs inform and refine the policy approach to identified issues, helping to design approaches that offer the greatest benefits.

One of the key elements of enhancing the PRA's scrutiny and accountability mechanisms relates to its approach to CBA and the establishment of a new CBA panel. The role of the CBA Panel is to support increased transparency and scrutiny of the PRA's policymaking by providing regular, independent input into the PRA's CBAs relating to PRA rules and the **PRA's statement of policy in relation to CBAs**. The Panel will review how the PRA is performing more generally in carrying out its duties with regard to CBA and may provide recommendations to the PRA.

The PRA has completed an open, competitive, and rigorous recruitment process for identifying and appointing a diverse range of expert individuals to constitute the CBA Panel. The PRA will finalise the set-up of the Panel and then start consulting it on the PRA's statement of policy in relation to CBAs and on the preparation of CBAs. The appointments, including that of the Chair, will be announced in due course.

In 2024, the PRA will consult on its CBA framework, which will set out how the PRA intends to continue to conduct a robust CBA and how it engages with the CBA panel.

PRA Rulebook

The new regulatory framework set out in FSMA 2023 enables the PRA to develop a more coherent and easily accessible Rulebook. The aim is to improve the efficiency and accessibility of the PRA Rulebook by reducing the number of policy document formats currently in use to three: rules, supervisory statements, and statements of policy. In order to achieve this, the PRA's specialist teams will begin the process of reviewing the EU Guidelines, European Supervisory Authorities (ESA) Q&As, and UK technical standards (UKTS) that are relevant to PRA rules, to determine what should be incorporated into those rules or related supervisory statements and statements of policy. Once the review of these documents is completed, references to the EU Guidelines, ESA Q&As, and UKTSs will be removed.

The PRA is also looking at grouping the elements in the Rulebook to make it easier for users to access relevant information. To support usability and clarity, the PRA will take a consistent approach to the structure of, and language in its policies.

The speed at which the PRA will achieve many of its ambitions for the Rulebook will partly depend on the Government's approach to the repeal of relevant assimilated law and its replacement in PRA rules and other policy materials. However, the PRA will move ahead with the proposed reforms as quickly as possible to help users more easily navigate the new regulatory landscape.

Banking Data Review

The **Banking Data Review** BDR, launched in 2023-24, will be delivered as an integral part of the **Transforming Data Collection** TDC programme. The work will enable the PRA's banking regulatory data collections to be better aligned with the day-to-day needs of supervisors, ensure the PRA has good-quality data to carry out its new policymaking responsibilities in line with the post-Brexit regulatory framework, and reduce burdens on firms by better integrating and streamlining data collections.

The PRA will consult on the first of three phases of reforms under the BDR in 2024 H2. The consultation will focus on streamlining of the existing regulatory reporting estate, removing reporting templates that may no longer be needed or which contain information that can be gathered at lower cost elsewhere, reviewing collections of counterparty credit information, and incorporating lessons from recent market events.

In parallel, the PRA will continue to work on plans for future phases of reform, focused on credit risk in the second phase, and with all remaining areas covered in a third phase. Engagement with industry participants will be done under the newly appointed TDC Advisory Board, which will be responsible for setting industry working groups on key topics relating to TDC. The TDC's main industry forum in this area is the Data Standards Committee (DSC), which led the work on the recommendations underpinning the jointly published response by the Bank and the FCA, entitled **Transforming data collection – Data Standards Review with recommendations and Bank of England and FCA response**. A further working group is the **BDR Industry Consultative Forum** that is open to all PRA-regulated banks.

Supporting and authorising new market entrants via new 'mobilisation' regime

The PRA will continue to support potential market entrants in navigating the authorisation process. This includes providing clear online guidance and industry engagement to build awareness of expectations and seek feedback on firms' experience of the process. The PRA offers potential applicants the opportunity to meet with staff through a structured pre-application stage, allowing firms to iterate and develop their proposition to support a better-quality application.

The PRA will continue to make use of the mobilisation stage for newly authorised banks, where appropriate, to allow them to operate with restrictions while they complete their set-up before starting to trade fully.

In line with PS2/24 – **Review of Solvency II: Adapting to the UK insurance market**, the PRA will introduce a new 'mobilisation' regime to facilitate entry and expansion for new insurers from 31 December 2024, similar to the mobilisation stage for new banks. Mobilisation will help to facilitate competition, and the international competitiveness and growth of the UK insurance sector, with the aim of benefiting firms who are contemplating applying for authorisation as an insurer in the UK now or in the future.

Newly authorised insurers in mobilisation could be offered the option of using a set period of extra time to build up systems and resources while operating with business restrictions, proportionate regulatory requirements, and lower minimum capital requirements. New insurers could be suitable for mobilisation when they have a shortlist of activities to complete before they can meet full regulatory requirements.

Ease of exit

Improving how firms can leave regulated markets in an orderly way is a **vital corollary** to greater ease of entry into those markets. It enables a dynamic and competitive market which entrants can join and leave with minimal impact on the wider market and the PRA's statutory objectives. The PRA has published the first of two planned policy in this topic, (eg, PS5/24 – **Solvent exit planning for non-systemic banks and building societies**). A further PS on solvent exit planning for insurers is expected in 2024 H2, following the completion of the market consultation initiated by CP2/24 – **Solvent exit planning for insurers**. Both of these form part of the PRA's strategic focus on increasing the ease of exit.

Ring-fencing regime

The Bank and PRA continue to work closely with HMT on implementing the recommendations made in March 2022 by the **Independent Review of Ring-fencing and Proprietary Trading** led by Sir Keith Skeoch. On 28 September 2023, both HMT and the PRA published consultations with the aim of giving effect to recommendations of that review.

HMT consulted on removing the blanket restriction which prevents ring-fenced bodies (RFBs) operating in countries outside the EEA. **The PRA consulted** on introducing a new rule and updating SS8/16 – **Ring-fenced bodies (RFBs)**, to align with HMT's proposed legislative changes. These changes aim to implement certain safeguards to ensure that RFBs are not exposed to material risks through the business of their overseas subsidiaries or branches. The PRA will publish its policy and a rule Instrument once the legislative changes are brought into force. Simultaneously, the PRA will update SS8/16 to reflect the changes.

FSMA requires the PRA to conduct a review of its ring-fencing rules and provide a report to HMT every five years. The first such review was completed on 12 December 2023 and the resulting **report** was laid before Parliament on 25 January 2024 and published on the Bank's website.

The PRA intends to consult on potential changes to the ring-fencing regime identified by the Rule Review once a fuller exploration of costs and benefits has been undertaken. The Bank and PRA will continue to support HMT with technical advice to enable HMT to finalise its legislative changes, and to consider responses to its Call for Evidence on longer-term reforms.

Effective authorisation processes

The PRA handles over 1,800 regulatory transactions a year, ranging from new firm authorisations to variations of permission for existing firms and cancellations of permission for firms leaving the market. Over the coming year, the PRA will continue to handle these transactions in more streamlined, efficient, transparent, and accessible way while maintaining strong risk controls to ensure the UK's success as a global financial centre.

In parallel to consulting on reforms to the SM&CR, the PRA will continue to enhance and streamline internal processes on SM&CR applications and other transactions to drive further improvements in operational effectiveness, as measured through the **quarterly publication of metrics on timeliness of decisions.** This will include close collaboration with the FCA to ensure an efficient and coordinated review of cases, as well as improvements to case handling and recording technology platforms. The PRA will extend existing industry engagement on New Bank Start-ups to also cover new insurers and SM&CR applications in order to promote transparency and spread best practice in support of efficient case handling.

In addition, the Wholesale Insurance Accelerated Authorisation Pathway, developed jointly by the PRA and FCA, will continue to provide an accelerated route for the authorisation of a sub-set of London market wholesale applicants.

Run an inclusive, efficient, and modern regulator within the central bank

The PRA's operation within the Bank plays a critical role in maintaining the stability and integrity of the UK's financial system. In pursuit of its objectives and work programme, the PRA ensures that its regulatory framework is inclusive, considering the diverse landscape of financial institutions. It aims to create a level playing field, while recognising and planning for the potential impact of the changes in the environment in which we are operating.

In line with its mission, the PRA continually adapts regulations to address emerging risks and opportunities, fostering inclusivity to enhance trust, transparency, and accountability in the financial sector. As a prudential regulator, the PRA maintains and strives for operational efficiency in its regulatory processes, technology, and its workforce. This involves streamlining procedures, driving inclusive recruitment, and leveraging technology to enhance effectiveness – noting that efficient regulation benefits both regulated entities and the broader economy by reducing unnecessary burdens and facilitating smoother interactions between financial institutions and the regulator.

Data and technology

The PRA will continue its programme of work to strengthen and transform its data-related capabilities. The PRA will also continue to play a leading role in international collaboration on the regulatory use of data and technology, liaising closely with other regulators, central banks, academic institutions, and industry. The PRA intends to run a multi-day innovation-focused event for PRA colleagues to support learning and increase awareness about the impact of technological advances and initiatives across the financial sector.

Transforming Data Collection by building on digital regulatory reporting

The PRA will continue to work towards achieving the objectives of the TDC programme for 2026:

- **Goal 1:** the PRA has the data and tools it needs to rapidly identify and probe emerging issues, risk, and policy questions, including integration into a single customisable supervisory dashboard; and
- **Goal 2:** the PRA only collects data that it needs from firms, thereby reducing unnecessary burdens on firms.

Regarding Goal 1, the PRA will continue to improve existing and deliver new priority data visualisation and analysis tools to support supervision, covering financial and operational data for PRA-regulated firms. The PRA will also make use of speech-to-text technology to support day-to-day work for staff, and to contribute to the Bank's wider work on the appropriate use of artificial intelligence to support its objectives, including large third-party language models. This will be underpinned by ongoing support for PRA staff undertaking renewed digital skills training alongside individual and group coaching for some staff cohorts, and planning for those programmes in future years.

Regarding Goal 2, the PRA will continue to work with the FCA and the wider Bank on the **TDC programme** which envisions that 'regulators are able to get the data they need to fulfil their mission at the lowest possible cost to industry' through improvements to the integration of reporting, reporting instructions, and data standards. Over the coming years, TDC therefore aims to deliver a new target operating model for all of the Bank's regulatory, statistical, and stress-testing data collections.

Diversity, equity and inclusion at the PRA

The PRA continues to take action to strengthen its culture and working environment. The Bank's **Court review** into ethnic diversity and inclusion reported its findings in July 2021. The PRA, alongside the rest of the Bank, is implementing the recommendations of this review and has made considerable progress in terms of embedding inclusive recruitment, investing in talent development, and advancing a psychologically safe culture to promote employees' ability to voice their opinions via the 'speak my mind' initiative. There is also increased accountability for senior leaders to advance a diverse and inclusive Bank.

The PRA recognises the importance of all staff feeling valued and being able to thrive. Key focus areas for 2024/25 include progressing initiatives to improve psychological safety, ethnic and gender representation, and disability disclosure. The PRA continues to benefit from the Bank's excellent employee networks that cater to diverse groups such as disability, LGBTQ+, social mobility, gender, age, carers, different ethnicities, and many more.

PRA Agenda for Research

The PRA plans to build on its research efforts in 2024/25, including through improving central coordination and capacity-building projects.

Research priorities are captured in the PRA Research agenda 2023+ below (Table 1). The PRA will continue to deliver on those, while making sure that a timely delivery of high-quality research, expertise, and critical evaluation is given to PRC, FPC, and other senior decision-making activities. These deliverables are captured in the research metrics and the PRA Research Annual. The metrics track the quantity, quality, and impact of the PRA's research, while the PRA Research Annual provides further details on how timely and effective the research advisory (inside and outside the institution) has been. New for this business year is that the PRA will additionally produce impact cases, with the purpose of tracking the lifespan of key research projects and evaluating their total policy/social impact.

To ensure that the organisation has the right capacity and skills, the PRA will initiate new capacity-building projects on models, tools, and data, while reinforcing external collaborations on those. It will also continue efforts to disseminate this work and foster strategic cooperations with research departments at other central banks, regulatory authorities, research institutes, or universities.

Table 1: PRA Research agenda 2023+

Priority theme	Focus and questions
Capital and Complexity	Balance of minimum requirements and capital buffers (modelling)
	Capital framework complexity (impact on funding costs)
	Effective and efficient capital conservation (costs for bank funding & benefits for lending)
	Usability of capital buffers (impact of MDAs on incentives to use buffers)
	Impact of Basel 3 on wholesale activity / financial market intermediation (empirical)
	Operating capital buffers during stress periods
Competition, Competitiveness and Growth	Barriers to entry in banking and insurance, and implications for fintech and financial stability
	How can effective competition in banking and insurance support the rest of the economy (ie efficiency of capital allocation).
	Measuring contribution of financial services sector to GDP and growth
	Impact of prudential regulation on success of a global financial centre
Insurance	Optimal capital (firm behaviour): effect of regulation on capital buffers, price/supply, asset allocation and risk of failure
	Optimal capital (insurance and financial market outcomes): effect of regulation on the supply of risk transfer and finance
	Optimal capital (real economy): effect of regulation on consumption (smoothing), investment and crises
	Specific risks to the prudential framework (eg annuity valuation without government intervention that have benefited credit markets, insurers' exposure to liquidity risk, climate risk)
Climate	Macroprudential (green) framework
	Modelling and measuring climate risk
	Insurance and climate risk
	Other fundamental modelling aspects in climate

Risks to delivery of business plan

Operating in a complex and fast-moving environment gives rise to risks to the delivery of this business plan. The PRA monitors, manages, actively mitigates (where possible), and reports these risks to the PRC and relevant Bank fora on a regular basis.

People

Over the course of 2023/24, attrition levels reduced and there was an improvement in recruitment into key roles. Looking ahead to 2024/25, headcount required to deliver this Business Plan is forecast to remain broadly flat.

The PRA will continue to impose discipline on how it deploys its budget to ensure resources are allocated appropriately. The PRA will also need to reprioritise during the year in response to changes in the external environment, as it routinely does. The PRA will continue to focus on managing operational risks and strengthening horizon-scanning capabilities so that it can respond quickly to changes in risk and drive decisions on prioritisation, business planning, and resourcing.

Technology

Having access to the right technology and data remains a key area of focus in 2024/25 as part of a multi-year investment across the PRA and the Bank to ensure that the PRA's technology capabilities support its strategic priorities. This focus will take account of developments in regulatory technology, reduce inefficiencies, and leverage the benefits of being a regulator within the UK's central bank. There is a risk that the PRA may be unable to deliver its intended technology ambition given the congested change agenda across the Bank. This challenge is being managed through careful prioritisation and scoping of key projects, including delaying some lower-priority activities.

Dependencies

Given the interconnected nature of the global financial system, dependencies on external parties, such as the FCA, HMT, and overseas regulators, could present a risk for the PRA. Policy development, authorisation processes, and supervision activities are contingent on maintaining relationships and co-operation with these parties. The PRA fosters its domestic relationships to ensure effective regulation and supervision across the UK financial sector. The PRA also works closely with international regulators to address cross-border risks for firms operating internationally. The PRA continues to foster these important relationships at all levels of the organisation through several channels, including international committees, supervisory colleges, joint reviews, information-sharing, and joint publications.

PRA Budget 2024/25

The PRA's provisional budget for 2024/25, which is subject to finalisation of pension costs and year-end adjustments, is estimated at £353.0 million. This is an increase of £34.0 million (11%) on the 2023/24 budget. To reduce the impact to firms in 2024/25, the PRA has taken two measures, as set out in **CP4/24**, to limit the increase in fees paid by firms to 7%. This increase follows a 1% reduction to fees in 2023/24 compared with 2022/23.

The PRA is constraining the increase in its own direct costs to 2%, which means a real-terms cut to the budget that will be managed by increasing efficiency in the PRA's supervisory approach, end-to-end policymaking process, and operations. Alongside this, the PRA needs to fund inflation-driven increases in support services provided to the PRA by the Bank and the PRA's share of tackling obsolescence in the Bank's technology estate on which the PRA relies.

Budgeted headcount is forecast to remain broadly flat for 2024/25 ending the year at 1,541 (this compares closely to the actual year-end headcount position for 2023/24 of 1,537). The budgeted headcount reflects the PRA's need to invest in key areas, including increasing the capacity to approve the efficiency of the IRB model review process, the implementation and supervision of CTPs, investment in the BDR, and implementing lessons learned from the failure of SVB and CS.

Details on how the PRA proposes to fund its budget can be found in CP4/24 – **Regulated fees and levies: Rates proposals 2024/25**. It includes proposals for allocating costs of the PRA's 2024/25 ongoing regulatory activities across PRA fee payers.

Abbreviations

ACS – Annual Cyclical Scenario

AI/ML – Artificial Intelligence/Machine Learning

AoC – Analysis of Change

Bank – Bank of England

BCBS – Basel Committee on Banking Supervision

BDR – Banking Data Review

CBA – Cost Benefit Analysis

CEG – Cyber Expert Group

CEO – Chief Executive Officer

CMORG – Cross Market Operational Resilience Group

CP – Consultation Paper

CRR – Capital Requirements Regulation

CTP – Critical Third Party

DEI – Diversity, equity, and inclusion

DP – Discussion paper

DSC – Data Standards Committee

D&I – Diversity and inclusion

EAS – Early Account Scheme

EU – European Union

ESA – European Securities and Markets Authority

ESCG – European Systemic Cyber group

FCA – Financial Conduct Authority

FinTech – Financial Technology

FMI – Financial Market Intermediary

FMIs – Financial Market Infrastructures

FPC – Financial Policy Committee

FRF – Future Regulatory Framework

FSB – Financial Stability Board

FSMA – Financial Services and Markets Act 2000 (as amended)

HMT – His Majesty's Treasury

IAIS – International Association of Insurance Supervisors

ICS – Insurance Capital Standard

ILS – insurance-linked securitisations

IRB – internal ratings-based

IRRBB – interest rate risk in the banking book

ISPV – Insurance special purpose vehicle

L-SREPs – Liquidity Supervisory Review and Evaluation Processes

MA – Matching adjustment

MALIR – Matching Adjustment Asset and Liability Information Return

MDA - Maximum distributable amount

MoU – Memorandum of Understanding

MRM – Model Risk Management

NBFI – Non-Bank Financial Institution

PMA – Post Model Adjustment

PRA – Prudential Regulation Authority

PRC – Prudential Regulation Committee

PS – Policy statement

QMC – Quarterly Model Change

RFB – Ring-fenced bodies

RWA – Risk-weighted asset

SCGO – Secondary Competitiveness and Growth Objective

SCO – Secondary Competition Objective

SDDT – Small domestic deposit takers

SMCR – Senior Managers and Certification Regime

SME – Small and medium-sized enterprise

SMF – Senior management function

SS – Supervisory statement

SVB – Silicon Valley Bank

SWES – System-wide exploratory scenario

TDC – Transforming Data Collection

TFSME – Term Funding Scheme with additional incentives for SMEs

TPR – The Pension Regulator

UKTS – UK Technical Standards

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1. In PS15/23, the PRA set out its rationale to rename Simpler-regime firms to Small Domestic Deposit Takers (SDDTs), and Simpler-regime consolidation entities to SDDT consolidation entities. To avoid confusion, throughout the rest of this document, the PRA will refer to SDDTs, SDDT consolidation entities, the Small Domestic Deposit Takers regime or SDDT regime, and SDDT criteria, rather than Simpler-regime firm, Simpler-regime consolidation entities, simpler regime, and Simpler-regime criteria, even when referring to past consultations.
2. A CTP is an entity that will be designated by HMT by a regulation made in exercise of the power in section 312L(1) of 2000, as amended by the FSMA 2023.
3. As at 1 January 2024.
4. Strictly speaking, DIFs do not accept deposits and are included under the category of deposit-takers for presentational purposes only.
5. Section 2E of FSMA.
6. **SS11/13 – Internal Ratings Based (IRB) approaches**.
7. As set out in the **2024 priorities letter on UK deposit takers**
8. SMFs are a type of controlled function carried out by 'approved persons', ie individuals who have to be approved. SMFs are the most senior people in a firm with the greatest potential to cause harm or impact upon market integrity.
9. **Managing climate-related financial risk – thematic feedback from the PRA's review of firms' SS3/19 plans and clarifications of expectations** and **Thematic feedback on the PRA's supervision of climate-related financial risk and the Bank of England's Climate Biennial Exploratory Scenario exercise**.
10. **Thematic feedback from the 2021/2022 round of written auditor reporting** and **Thematic feedback from the 2022/2023 round of written auditor reporting.**
11. 'Digital money' refers to claims on deposit-takers or other financial institutions, which exist only in electronic form and whose value is preserved through a combination of strict regulation and issuers' access to central bank deposits. 'Digital money-like instruments' refers to other assets that exist only in electronic form and are used for payments. Some of these are regulated to support a stable value, but their issuers do not have access to central bank deposits and are subject to lighter regulation.