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UK's Prudential Regulation Authority Publishes Annual Business Plan



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The UK's Prudential Regulation Authority ("PRA") has published its [Business Plan for 2023/23](#) setting out its strategic priorities and anticipating its new, secondary objective to facilitate international competitiveness and economic growth which is currently being considered in Parliament in the Financial Services and Markets Bill ("FSM Bill").

The Business Plan covers four strategic priorities for the coming year:

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

The focus here is on financial resilience, and the PRA leads with its recent consultation on the UK's implementation of Basel 3.1 standards and their significant impact on the calculation of risk-weighted assets. Also flagged are proposals to: (a) remove the Common Equity Tier 1 capital deduction requirement for non-performing exposures and associated reporting requirements; (b) work on changes to the Securitisation Regulation in areas including risk retention, due diligence and disclosure and on the application of Basel 3.1's "output floor" to securitisation exposures; and (c) a final supervisory statement on model risk management principles for banks that will address development, validation and governance practices.

The Business Plan also addresses operational risk and resilience. This too is the subject of the FSM Bill, which gives the Government the ability to designate certain third party services providers as "critical" in consultation with the Bank of England, the PRA and the Financial Conduct Authority ("FCA"). The PRA and the FCA will have further new powers to oversee services provided by these critical third parties to regulated firms.

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

The PRA will continue to monitor developments in digitalisation, artificial intelligence and machine learning, and cryptoassets, as well as participate in international initiatives in these areas. Climate change is inevitably still at the forefront for the PRA as a source of material and increasing financial risk, and the regulators' expectations remain that firms should take a "forward-looking, strategic, and ambitious approach to managing climate-related financial risks."

3. Support competitive and dynamic markets, alongside facilitating international competitiveness and growth

Alongside changes to rule making powers to be introduced via the FSM Bill, the PRA is working on a simpler prudential framework for smaller, domestic-focused banks known as the Strong and Simple framework. Transitional provisions within this will be aimed at ensuring eligible banks do not have to implement Basel 3.1 before moving into the Strong and Simple capital regime.

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

New initiatives flagged here include the introduction of quarterly reporting of performance metrics for a number of regulatory transactions.
