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The UK's Banking Regulator Sets Out 2024 Priorities



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Rebecca Jackson, Executive Director, Authorisations, Regulatory Technology, and International Supervision at the Prudential Regulation Authority ("PRA") has [written](#) to international banks on the PRA's thematic supervision priorities for 2024.

The context of this year's letter is the events of 2023, and the consequences of sudden losses of customer, counterparty or market confidence and the subsequent need for regulatory intervention. A clear theme for supervisors in 2024 will be governance, risk management, and the ready availability of tools and controls to ensure the speedy identification of risks and appropriate mitigants in challenging market conditions. The PRA is going to be looking to senior management to promote an appropriate risk culture based on an environment of 'cognitive diversity' that encourages robust decision-making and takes into account new challenges such as novel technologies, including AI.

The PRA sets out clearly that their expectations remain that banks should cease considering risk in silos, and read risk across their business lines. Counterparty credit and secured financing risks remain priorities for the coming year, and the PRA will be looking to see how banks are capturing those risks and managing them. Unsurprisingly given 2023's events, financial resilience is at the forefront, including robust treasury management and the monitoring of the interaction between capital and liquidity risks. The PRA is also reiterating its expectation that banks make progress in measuring and putting in place strategies to deal with climate risk in stressed scenarios.

The letter concludes by reminding banks that they have just over a year to meet the Operational Resilience expectations the PRA sets out in supervisory statement 1/21 and be in a position to demonstrate that they can deliver important business services in challenging situations involving disruption. Also on the PRA's radar is their continuing scrutiny of the provision of regulatory data and the remediation of the deficiencies they have noted to date.

