

## Cabinet News and Views

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### UK's PRA Sets Regulatory Priorities for International Banks



By **Alix Prentice**  
Partner | Financial Regulation

On 10 January, the UK's Prudential Regulation Authority ("PRA") wrote to international banks active in the UK to update them on regulatory priorities for 2023.

While these clearly reflect current macroeconomic drivers, they are a useful reminder of the way that global bank regulatory priorities are moving or have in fact moved:

- At the top of the list is **financial resilience**, with an emphasis on the need for proactivity when it comes to anticipating shocks. The PRA also makes it clear that resilience will be a focus when assessing capital and liquidity positions.
- **Risk management and governance** is next, with the PRA raising concerns about continuing to find large, concentrated exposures to single counterparties. Referencing lessons learned from the Archegos Capital default, the PRA is emphatic about the need to do comprehensive reviews of onboarding and due diligence practices, to do counterparty pricing and margining, and to stress test counterparties rigorously.
- Under rules now current on **operational risk and resilience**, firms should have already identified Important Business Services (as defined under those rules), set their impact tolerances and started scenario testing, and the PRA will be engaging with firms on how they have assessed their ability to remain within those identified risk tolerances. The PRA highlights a notable increase in outsourcing and the requirement for firms to maintain that ability even when the Important Business Service has been outsourced.
- On **data**, it is no surprise that the PRA reemphasises the need for timely, complete and accurate reporting, and they point to a programme of skilled persons reviews that have revealed a number of material deficiencies in regulatory reporting.

- The PRA reiterates its focus on **financial risks arising from climate change** and reports that while firms have taken “tangible and positive steps,” there is variability in the levels of “embeddedness” amongst firms.
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