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The UK's Banking Regulator Sets Out Its Expectations When Supervising Non-UK Branches

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The UK's Prudential Regulation Authority ("PRA") has published its final rules and policies in relation to its approach to supervising branches and subsidiaries of international banks headquartered, or part of a group based, outside the UK. Branch reporting requirements and booking models are also covered. Read the full policy statement (the "PS") **here**.

1. **Branch risk appetite**

This covers the criteria the PRA considers when determining whether an international bank's UK presence should operate as a branch or a subsidiary. Those considerations include the thresholds regarding deposit balances and number of deposit customers at which a branch would be expected to become a subsidiary. The PS lowers the threshold for the amounts of deposits by retail and small company deposits, partly in relation to the failure of SVB UK, that, while a subsidiary, held small business deposits that were not covered by the Financial Services Compensation Scheme.

Other thresholds have been raised to reflect inflation.

2. **Branch reporting**

Changes to branch reports on deposits and whole firm liquidity will now be implemented in H1 2026 rather than 31 December 2025. Other modifications to the branch return are also coming into force, with the aim of reducing the operational burden of reporting. In addition, the PRA has confirmed that it will take into account the resolution regime of the home state of a branch when considering whether branches exceeding certain thresholds should be required to subsidiarise.

3. **Booking arrangements**

Currently, regulators in different jurisdictions have different expectations of firms' booking arrangements. However, the PRA still expects firms to comply with all relevant rules and asks that they contact the PRA when they consider this not to be possible.

In addition, the PRA will be applying its booking expectations to UK trading banks. Questions have arisen in that context around the interaction with Article 21c of CRD VI, which requires third-country banks to obtain a branch license from each member state in which they provide banking services. The PRA is confident that only some of the core banking activities covered by 21c will be subject to their banking book booking expectations, and activities such as loans, commitments and guarantees are not sufficiently risky to be included.

The PRA has also clarified that while it routinely accepts remote booking arrangements when risk is booked to the UK hub, it is unlikely to accept arrangements in which all traders are remote, nor is it likely to accept traders moving out of the UK simply to manage remote booking back into the UK.

The PRA has also confirmed that cross-location back-to-back trading is a legitimate method of transferring risk. It also confirms that intra-group remote risk transfers should be treated in the same way as other transfers.

Next steps

While the new policy took effect on 20 May 2025, changes to branch reporting take effect on 1 March 2026, with firms expected to use data as at 30 June 2026 for their first return. Firms are also required to conduct a self-assessment of their booking arrangements and report any gaps to the PRA.