

# Memorandum of Understanding:

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between the Financial Conduct Authority  
and the Bank of England (including in its  
capacity as the Prudential Regulatory  
Authority)

Laid before Parliament pursuant to section 312V(5) of the  
Financial Services and Markets Act 2000 as amended by the  
Financial Services and Markets Act 2023.

November 2024



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## **Memorandum of Understanding**

**between**

**The Financial Conduct Authority**

**and**

**The Bank of England (including in its capacity as the PRA)**

### **I PURPOSE AND GENERAL**

1. This Memorandum of Understanding (“MoU”) describes in general terms how the Financial Conduct Authority (“FCA”), the Prudential Regulation Authority (“PRA”) and the Bank of England (“Bank”) will co-ordinate with respect to the exercise of their functions conferred by or under Chapter 3C of Part 18 of FSMA (“CTP Functions”) and requirements arising under that chapter (the “CTP regime”).
2. Unless otherwise stated, references in this MoU to the Bank do not include the Bank acting in its capacity as the PRA.
3. References in this MoU to the PRA are to the Bank in its capacity as the PRA.
4. This MoU covers the relationship between the FCA on the one hand and the Bank and the PRA (either jointly or individually) on the other.
5. This MoU has been agreed pursuant to section 312V of FSMA.
6. Various terms used in this MoU are defined in Annex 2.

### **II REGULATORY OBJECTIVES OF THE FCA, THE BANK, AND THE PRA**

1. So far as the CTP regime is concerned, the Bank, the PRA and the FCA share a common goal to manage potential risks to the stability of, or confidence in, the UK financial system that may arise due to a failure in, or disruption to, the services that a CTP provides to one or more firms operating in that system.
2. More generally, the FCA has a single strategic objective to ensure that the markets for financial services function well. Further objectives and duties support this:
  - (i) operational objectives of:
    - a. securing an appropriate degree of protection for consumers (including wholesale consumers);
    - b. protecting and enhancing the integrity of the UK financial system; and
    - c. promoting effective competition in the interests of consumers;

- (ii) a duty (so far as is compatible with acting in a way which advances the consumer protection objective or the integrity objective) to discharge its general functions in a way which promotes effective competition in the interests of consumers; and
  - (iii) a secondary competitiveness and growth objective.
- 3. Additionally, in relation to financial services in the UK and claims management services in Great Britain, the FCA has the concurrent competition functions with the Competition and Markets Authority (CMA) of:
  - (i) enforcing prohibitions against anti-competitive agreements and abuses of dominance in section 2 and section 18 of the Competition Act 1998; and
  - (ii) conducting market studies under the Enterprise Act 2002 and making market investigation references (MIRs) to the CMA.
- 4. One of the Bank's objectives is to protect and enhance the stability of the financial system of the United Kingdom. In advancing this objective, the Bank has a secondary objective to act in a way which facilitates innovation in the provision of relevant financial market infrastructure (FMI) services (including in the infrastructure used for that purpose) with a view to improving the quality, efficiency and economy of the services.
- 5. The PRA's statutory objectives are:
  - (i) a general objective to promote the safety and soundness of the firms it regulates;
  - (ii) an insurance specific objective to contribute to the securing of an appropriate degree of protection for those who are or may become policyholders; and
  - (iii) secondary objectives to facilitate:
    - a. effective competition in the markets for services provided by PRA-authorized persons in carrying on regulated activities; and
    - b. subject to aligning with relevant international standards, the international competitiveness of the economy of the UK (including in particular the financial services sector through the contribution of PRA-authorized persons) and its growth in the medium to long term.

### **III PRINCIPLES FOR THE OPERATION OF THE CTP REGIME**

- 1. The key principles on which the regulators intend to operate the CTP regime include:
  - (i) close co-ordination between the regulators;

- (ii) the avoidance, as far as possible, by each regulator of unnecessary duplication of action taken by one of the other regulators; and
- (iii) proportionality, so that a burden or restriction which is imposed on a person should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction.

#### **IV THE CTP CONSULTATION AND COORDINATION FORUM**

1. The regulators will establish a joint CTP Consultation and Coordination Forum (the “CCF”).
2. The CCF will be one of the primary means by which the regulators will *co-ordinate* the exercise of their CTP functions, and ensure that each regulator is consulted before it exercises any power conferred by or under the CTP regime. The CCF will not itself be a decision-making body exercising statutory powers.
3. The CCF will consist of representatives of each of the regulators with sufficient delegated authority to take decisions on behalf of the regulator they represent in respect of the topics and issues the CCF will discuss, in accordance with any arrangements made for the running of the CCF.
4. The regulators will, through the CCF, review the effectiveness and efficiency of their coordination, which will include a review of the operation of this MoU, at least once in each calendar year (as per section 312V(2) FSMA). An annual report will be prepared for the consideration of the CEO of the FCA and CEO of the PRA and Deputy Governor for financial stability at the Bank detailing the results of the review.

#### **V RECOMMENDATIONS FOR DESIGNATION**

1. The regulators intend to co-ordinate closely in assessing and keeping under review whom they should recommend that HM Treasury designates as a CTP, including reviewing the services provided by prospective or designated CTPs. Decisions on whether to designate a third party will be taken by HM Treasury.
2. The regulators envisage that in most cases they will make recommendations for designation to HM Treasury jointly.
3. Where appropriate, the regulators may agree that one regulator will make a recommendation for designation on its own. For instance, this may be appropriate if a third party only provides services to firms for which that regulator is the sole supervisor.
4. This Section also applies to recommendations to HM Treasury to revoke a designation or maintain an existing designation.

#### **VI POLICY AND RULE-MAKING**

1. The regulators intend that except where they have all agreed otherwise, their CTP rules, general guidance and public policies relating to the CTP regime (collectively referred to as the “CTP policy”) should be identical in effect and substance.

2. Any differences in CTP policy should reflect non-substantive differences in the drafting style of the regulators and the format of their respective rule-making instruments and public guidance documents.
3. In the case of general guidance and public policies about oversight, this will generally be achieved by the publication of a joint document by the regulators.
4. The regulators will consult each other as soon as practicable in relation to:
  - (i) any potential changes to CTP policy; or
  - (ii) any other proposed new or amended policy initiatives not directly addressed to CTPs, but which could impact CTPs, for instance, in relation to firms' operational resilience, outsourcing and third party risk management.

## **VII OVERSIGHT: GENERAL**

1. Following designation by HM Treasury, CTPs will be subject to oversight by the regulators. The regulators envisage that in most cases CTPs will be subject to oversight on a shared basis. However, in some circumstances it may be appropriate for a CTP to be subject to oversight on a lead regulator basis.
2. The regulators intend to jointly decide, following discussion through the CCF, whether a CTP should be subject to oversight on a shared or a lead regulator basis, and to notify the CTP accordingly.
3. The regulators may jointly change their decision from time to time, if appropriate, and in such cases will notify the CTP accordingly.

## **VIII OVERSIGHT: SHARED OVERSIGHT**

1. Shared oversight may be carried out by joint teams of the regulators or the regulators may agree to assign particular tasks to an individual regulator.
2. The tasks of each regulator in relation to a particular CTP will be agreed on a case-by-case basis.

## **IX OVERSIGHT: LEAD OVERSIGHT**

1. In the case of lead oversight, the tasks of the lead regulator and the extent of the involvement of the other regulators will be agreed on a case-by-case basis.
2. The regulators expect that, usually, in the case of lead oversight:
  - (i) the lead regulator will be the primary point of contact between the CTP and the other regulators;
  - (ii) the lead regulator will make information requests;

- (iii) the lead regulator will coordinate the relationship between the regulators and other domestic or overseas competent authorities including the exchange of information;
  - (iv) the lead regulator will engage any relevant external counterparts; and
  - (v) oversight activities will be carried out by the lead regulator and if any activities are carried out by another regulator the lead regulator will co-ordinate oversight activities.
3. Each regulator (including the lead regulator) will keep the other regulators informed of how it conducts matters for which it has responsibility and consult them as appropriate.

## **X INFORMATION SHARING**

1. Timely and focused exchange of relevant information is essential to delivering effective co-ordination between the regulators under the CTP regime.
2. The regulators expect that there will be a high degree of information sharing among the regulators under this MoU. In particular, subject to Annex 1 (Regulatory Data) of this MoU:
- (i) data or information relevant to the CTP regime that is available to one regulator and also relevant to the responsibilities of another regulator will be shared where appropriate; and
  - (ii) if one regulator considers that information relevant to a CTP in its possession might be of material interest to another regulator, it will actively offer such information to that regulator (to assist in meeting the duty in 312U(2) FSMA).
3. Beyond their exchanges on individual CTPs and groups, the regulators will share relevant information on trends and thematic work relating to the CTP regime.
4. The regulators acknowledge that they may only share information under this MoU to the extent that they are not prevented from doing so under applicable laws, rules and regulations or under the terms of their respective information sharing agreements.

## **XI CONFIDENTIALITY**

1. Each regulator will protect the confidentiality, sensitivity and (where relevant) the legal privilege of all unpublished regulatory and other confidential information received from another regulator in accordance with applicable laws, rules, regulations and other legal obligations and privileges.
2. Without prejudice to the obligations a regulator may have to use or disclose information in relation to enforcement proceedings or otherwise, each regulator will endeavour to consult the others, where practicable, before:
- (i) passing information received from another regulator to someone who is not a participant to this MoU; or

- (ii) using the information in the context of enforcement proceedings or other court case where it is likely to become publicly disclosed.
- 3. Where appropriate, the regulators will liaise with each other in responding to requests made under the Freedom of Information Act 2000, the UK General Data Protection Regulation, the Data Protection Act 2018 and any future legislation that may supersede or supplement these Acts and that Regulation, and will consult before releasing information received from the other.

## **XII USE OF STATUTORY POWERS**

- 1. The regulators will consult each other, as appropriate, before exercising their statutory powers in relation to CTPs.
- 2. It is expected that these powers will generally be exercised with the agreement of all the regulators as appropriate and subject to Section (XIV).

## **XIII FINANCIAL CRIME**

- 1. Where the Bank or the PRA, in carrying out its functions under the CTP regime, becomes aware of any evidence that it believes may be materially relevant to the FCA's functions in relation to financial crime, it will notify the FCA.

## **XIV REGULATOR ACTING ALONE**

- 1. The regulators have agreed in this MoU:
  - (i) to act together in making recommendations to HM Treasury to designate or de-designate someone as a CTP (see Section (V)) and in policy and rule-making (see section (VI));
  - (ii) to act together in the oversight of certain CTPs (see Section (VII)) and in the exercise of the disciplinary and supervisory powers in relation to them (see Section (XII)); and
  - (iii) that in certain cases only one or some of them will take the lead in the oversight of certain CTPs (see Section (IX)) or in the exercise of disciplinary and supervisory powers in relation to them (see Section (XII)).
- 2. However, it is acknowledged that each regulator is entitled to:
  - (i) take such action on its own or separately;
  - (ii) not participate in the joint action; or
  - (iii) take action in relation to a CTP where this MoU would otherwise provide for another regulator to take the action.
- 3. The regulators expect that action of the kind described in paragraph 2 will be the exception, and are usually expected to occur only where all the regulators have



agreed together that a regulator should act in that way for the better and more efficient operation of the CTP regime.

4. If a regulator takes action on its own or separately in accordance with paragraph 2(i) or (iii), it will seek to:
  - (i) consult with the other regulators; and
  - (ii) avoid taking action that:
    - a. undermines or is incompatible with; or
    - b. unnecessarily duplicates;

what the other regulators have done or plan to do.

## **XV INTERACTION WITH THE MAIN MoUS**

1. This MoU is intended to supplement the main MoUs (as defined in Annex 2) with respect to the exercise of CTP functions.
2. The exercise of CTP functions by one regulator may have an effect or potential effect on the exercise of other functions by another regulator covered by one of the main MoUs (“General functions”). For example, the exercise of CTP functions could directly or indirectly impact the supervision of one or more dual-regulated firms. In such a case, the relevant main MoU shall apply with respect to the General functions.
3. Conversely, the exercise of General functions may have an effect or potential effect on the exercise of CTP functions. In such a case, this MoU shall apply with respect to the CTP functions.

BANK OF ENGLAND

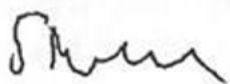


Signed:

Date: 24/10/2024

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FINANCIAL CONDUCT AUTHORITY



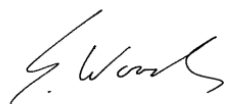
Signed:

Date: 18/10/2024

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PRUDENTIAL REGULATION AUTHORITY

Signed:



Date: 21/10/2024

## ANNEX 1: REGULATORY DATA

1. The regulators will routinely share regulatory data available to each other in accordance with:
  - (i) applicable law;
  - (ii) where it is relevant to the responsibilities of the other; and
  - (iii) in accordance with model for close co-operation between the regulators set out in the main part of this MoU.
2. Data will be shared according to the following principles:
  - (i) the ability of a regulator to obtain data should not be constrained;
  - (ii) the approach must maintain data security;
  - (iii) the importance of data integrity and accuracy will be recognised; and
  - (iv) the process of data management should be flexible, including in response to potentially rapidly changing requirements.
3. Data will be shared according to the following further principles where this is consistent with the regulators' missions:
  - (i) generally the data that each regulator obtains will be agreed between the regulators in accordance with the model for close co-operation between the regulators set out in the main part of this MoU;
  - (ii) if the regulators wish to get information from a CTP they will decide which regulator asks for it and avoid each asking for it separately;
  - (iii) the approach should be as efficient as possible for both CTPs and the regulators;
  - (iv) a regulator will try to avoid asking a CTP for information that another regulator already holds.
4. Each regulator will be responsible for validation and quality checking, as well as data collection in a timely and efficient way.
5. Where relevant, the regulators will consult each other on changes to regularly collected data/forms.
6. Where the FCA is acting as a single repository for data reporting and collection from CTPs for and on behalf of the Bank or the PRA and is not using the data for its functions, the FCA will be acting on behalf of the Bank or as the case may be the PRA. The Bank or, as the case may be, the PRA will be the primary recipients of the information received from the FCA.

## ANNEX 2: DEFINITIONS

Defined term	What it means
Bank	this term is defined in Section (I) of this MoU (Purpose and General).
CCF	this term is defined in Section (IV) of this MoU (The CTP Consultation and Co-ordination Forum).
CTP	an entity that is for the time being designated by HM Treasury by an order made in exercise of the power in section 312L(1) of FSMA.
FCA	this term is defined in Section (I) of this MoU (Purpose and General)
firm	any of the following <ul style="list-style-type: none"><li>(i) an authorised person as defined in FSMA;</li><li>(ii) a relevant service provider as defined in section 312L of FSMA (Critical third parties); or</li><li>(iii) an FMI entity as defined in section 312L of FSMA.</li></ul>
FSMA	the Financial Services and Markets Act 2000 (as amended from time to time).
main Bank MoU	the memorandum of understanding between the FCA and the Bank of England about cooperation concerning the supervision of markets and market infrastructure agreed pursuant to Schedule 17A of FSMA (Further Provision In Relation To Exercise Of Part 18 Functions By Bank Of England), as amended from time to time.
main MoUs	the main Bank MoU and the main PRA MoU.
main PRA MoU	the memorandum of understanding between the FCA and the Bank of England agreed pursuant to sections 3D and 3E of FSMA, as amended from time to time.
PRA	this term is defined in Section (I) of this MoU (Purpose and General).
regulator	the FCA and either or both of the Bank and the PRA as appropriate.
third party	a potential CTP.