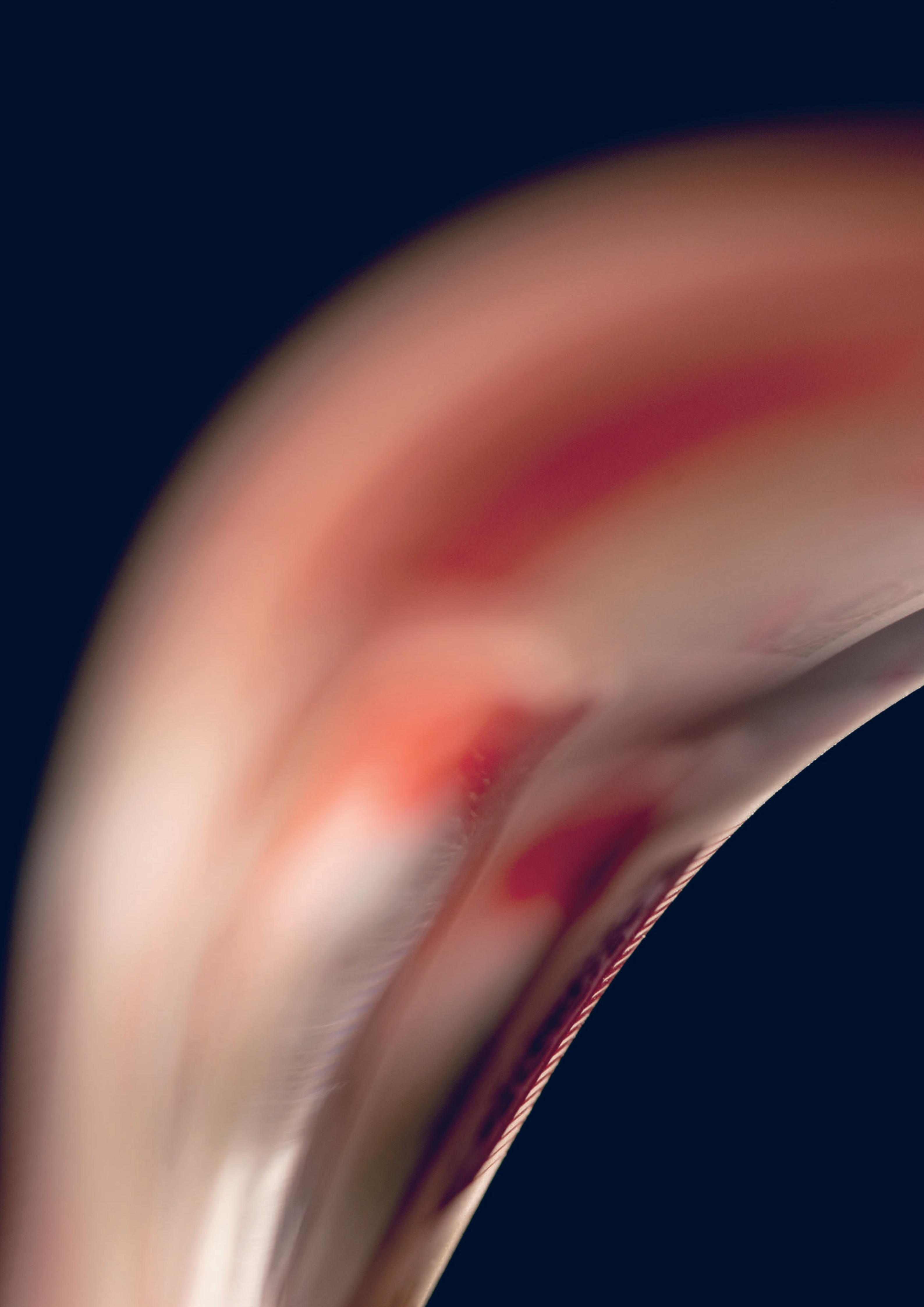
Bank of England PRA

Prudential Regulation Authority Annual Report

1 March 2025–28 February 2026



Prudential Regulation Authority

Annual Report 2025/26

1 March 2025 to 28 February 2026

Presented to Parliament pursuant to paragraph 19(4) of schedule 1ZB of the Financial Services and Markets Act (FSMA) 2000 as amended by the Financial Services Act 2012 and the Bank of England and Financial Services Act 2016.

The Annual Report also includes the Annual Report of the Prudential Regulation Committee to the Chancellor of the Exchequer on the adequacy of the PRA resource and the independence of the PRA functions.

The report also highlights key initiatives that support the PRA’s secondary competition objective, and the competitiveness and growth objective.

June 2026

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This Report is made by the PRA under FSMA 2000 and FSMA 2023. It is made to the Chancellor of the Exchequer and covers the year ended 28 February 2026.

The report covers the requirements of paragraph 19 of schedule 1ZB of FSMA 2000.

The Bank of England Annual Report and Accounts for the year ending 28 February 2026 are available on the Bank of England's (the Bank) website. The PRA's audited accounts for the reporting year ending 28 February 2026 are set out in the 'Financial review of 2025/26' section of the Bank of England Annual Report and Accounts. HM Treasury (HMT) has issued an accounts direction; disclosures relating to this can be found in the 'PRA income statement for the period ended 28 February 2026' section of the Bank's Annual Report and Accounts.

Additional material can be found on the **PRA section** of the Bank's website.

Consultation

Members of the public are invited to make representations to the PRA on:

- the PRA Annual Report;
- the way in which the PRA has discharged its functions during the period to which the report relates; and
- the extent to which, in their opinion, the PRA's objectives have been advanced (including its secondary objectives under section 2H FSMA), and the PRA has considered the regulatory principles to which it must have regard when carrying out certain of its functions (contained in section 3B of FSMA).

Please address any comments or enquiries to **praannualreport@bankofengland.co.uk**, or by post to:

PRA Communications Team
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

The closing date for comments is 25 September 2026.

Privacy and limitation of confidentiality notice

By providing a representation to the PRA on this Annual Report, you provide personal data to the Bank of England (hereafter 'the Bank'). This may include your name, contact details (including, if provided, details of the organisation you work for), and opinions or details offered in the representations.

The representations will be assessed to inform the PRA's further work as a regulator. The PRA may use your details to contact you to clarify any aspects of your response.

Your personal data will be retained in accordance with the Bank's records management schedule. To find out more about how we deal with your personal data, your rights, or to get in touch please visit the PRA's **privacy web page**.

Information provided in response to this Report, including personal information, may be subject to publication or disclosure to other parties in accordance with access to information regimes, including under the Freedom of Information Act 2000 or data protection legislation, or as otherwise required by law or in discharge of the Bank's functions.

Please indicate if you regard all, or some of, the information you provide as confidential. If the Bank receives a request for disclosure of this information, it will take your indication(s) into account, but the Bank cannot provide assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system on emails will not, of itself, be regarded as binding on the Bank of England.

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Foreword by the Chair

Andrew Bailey
Governor
Chair of the Prudential Regulation Committee

Over the past year the Prudential Regulation Authority (PRA) has continued to pursue its statutory objectives against a backdrop of heightened geopolitical tension, global uncertainty and rapid developments in technology. This environment has resulted in a more complex risk outlook for firms and markets, conditions which reinforce the importance of the PRA's primary objectives of safety and soundness and insurance policyholder protection. The PRA has also pursued with vigour its secondary objectives to support effective competition and the international competitiveness and growth of the UK economy. These are complementary aims: confidence in the resilience of the UK financial system is a prerequisite for sustainable growth and innovation.

A core part of delivering financial stability is ensuring that firms are appropriately capitalised, liquid and well governed, and that they can continue to provide critical services through stress. The finalisation of the UK implementation of Basel 3.1 was a key achievement over the year. Not only do these international standards maintain resilience, but they are also a crucial part of 'levelling the playing field' globally. We also finalised our 'Strong and Simple' framework for smaller, domestic-focused firms. This framework maintains resilience while ensuring that our approach is proportionate.

The 2025 Bank Capital Stress Test (BCST) results supported our judgement that the system is resilient and able to continue supporting households and businesses even under a severe but plausible scenario. In 2025 we also undertook a Life Insurance Stress Test (LIST) and, for the first time, published firm-level results. This test indicated that the sector is resilient to a severe financial market stress scenario. Beyond firm-specific stress tests, PRA-regulated firms will have an important role to play in our second System Wide Exploratory Scenario

(SWES), launched this year, which is focused on private markets. These exercises, along with supervision, can help firms to identify where they may be most exposed to shocks and take steps to strengthen their resilience.

Financial strength is not, though, the only factor in safety and soundness. Operational incidents can have systemic consequences and can quickly undermine trust in the financial system more broadly. Recent developments in AI, alongside heightened geopolitical tensions, have highlighted the ever-changing cyber threat landscape which firms must face. This backdrop has led to an increased focus on improving operational and cyber resilience as well as recovery capabilities. Stress testing is a powerful tool here also, and, the PRA, along with other authorities, has shared thematic findings from our ‘CBEST’ assessments while encouraging firms to identify risks, develop solutions and share information via the Cross Markets Operational Resilience Group. The PRA, Bank of England, and Financial Conduct Authority (FCA) have also continued to prepare for the implementation of the critical third parties (CTP) regime in anticipation of the first designations being made later in 2026.

Ensuring the UK has a resilient financial system which can keep providing vital services to the real economy through all states of the world is our major contribution to economic growth. In this context, we remain open to changes that improve efficiency and effectiveness of our framework, further supporting economic growth, provided they do not create undue risk. In December 2025, the FPC published an updated assessment of the appropriate capital requirements for the banking system, revising its benchmark from 14% to 13% of Risk Weighted Assets (RWAs) and setting out areas for review to make the capital framework more effective, efficient and proportionate in future, building on significant steps which have already been taken to date. The PRA will continue to work closely with the Financial Policy Committee (FPC), and international authorities where needed on these topics.

This report sets out the huge amount of work the PRA has undertaken to deliver on its secondary objectives. Our ‘Strong and Simple’ framework, the Scale-Up unit which provides tailored support to firms as they grow, and the Concierge Service to help inbound foreign firms establish a presence in the UK are all designed to support competition. Meanwhile taking steps to modernise our approach to data collection and reporting, simplifying the UK remuneration regime, streamlining several regulatory processes and allowing insurers to invest more quickly in new assets features via the Matching Adjustment Investment Accelerator (MAIA) all help to improve the international competitiveness and growth of the UK economy.

Looking ahead, we will continue to build on the progress made and remain steadfast in pursuing our statutory objectives to ensure the stability and resilience of the UK financial system as the bedrock for economic growth. I am hugely grateful to my colleagues on the Prudential Regulation Committee (PRC) for their valuable input, and to PRA staff for their professionalism and diligence in delivering the PRA’s work. Finally, I would like to thank Sam Woods for his 10 years of dedicated service as Deputy Governor for Prudential Regulation and CEO of the PRA. I would also like to take the opportunity to welcome Katharine Braddick back to the PRA and wish her every success in her new role.

25 June 2026

Foreword by the Chief Executive

Sam Woods
Deputy Governor, Prudential Regulation
Chief Executive of the PRA

Over the past year, the Prudential Regulation Authority (PRA) has remained focused on delivering our primary objectives of safety and soundness and insurance policyholder protection and our secondary objectives to facilitate competition, competitiveness, and growth.

A key achievement in 2025/26 was finalising the UK's implementation of the Basel 3.1 standards for deposit takers, which will maintain resilience, improve comparability across firms and continue to ensure confidence in the UK's prudential framework. This will take effect from 1 January 2027. One exception relates to a part of the market risk approach, which we will implement a year later in order to allow a co-ordinated international approach to implementing this important part of the framework.

In insurance, we continued to promote firms' resilience through stress testing and supervision. The 2025 Life Insurance Stress Test enabled us to explore the resilience of the sector to a stress scenario and facilitated market understanding of how firms' balance sheets might evolve in stress. We also maintained our supervisory focus on potential risks relating to the bulk purchase annuity market, including in relation to funded reinsurance.

Operational and cyber resilience remained major areas of focus. In conjunction with Bank colleagues, we wrote to firms with thematic findings from the FPC's cyber stress test to help them strengthen their defences in this important area. We held two roundtables with PRA-regulated firms to discuss the adoption of artificial intelligence and machine learning technologies in the context of our model risk management expectations. We also published, together with the FCA, our final policy on operational incidents, outsourcing and third-party reporting and worked with other UK authorities to prepare for the implementation of the critical third parties regime. We will doubtless continue to focus on these important and fast-developing areas in future years.

Alongside delivering against our primary objectives, we continued to advance our secondary objectives. On the banking side, we published final rules for our simplified ‘Strong and Simple’ capital regime, which will take effect for smaller banks and building societies from January 2027. We also implemented material changes to the prudential framework for securitisations, and made reforms to the banking remuneration regime to help firms attract and retain talent. In addition, we continued to modernise regulatory data collection through our Future Banking Data (FBD) Programme, including by deleting almost 40 under-used or duplicative templates.

For insurance, we launched the Matching Adjustment Investment Accelerator which enables insurers to invest in new assets more quickly, facilitating investment in the economy. We also streamlined the authorisation and supervisory framework for UK insurance special purpose vehicles (ISPVs).

Beyond finalising ‘Strong and Simple’, we have taken other steps to facilitate effective competition in line with our secondary competition objective. Together with the FCA, we launched a Scale-Up Unit, enhancing engagement with fast-growing, innovative firms. We also supported the establishment of the Office for Investment: Financial Services to support inward investment into the UK by international firms. In addition, we published a discussion paper exploring how smaller and newer firms might more easily gain approval to use internal models for mortgage lending and published jointly with the FCA a review of the UK mutuals landscape.

Over the past year, strengthening our operational efficiency and effectiveness remained a key focus. Our authorisations performance remained strong, with 100% of cases under the Senior Managers & Certification Regime (SM&CR) completed within our three-month service standard. We are also making good progress towards meeting the more stretching expectations under the Government’s Leeds Reforms, with the average SMR decision times falling to 28 days in the latest quarter, down from 62 days a year ago. In 2025/26, we authorised eight new firms and set out an enhanced internal ratings based (IRB) model review process. And we continue to invest in our data, technology and people to ensure the PRA remains an efficient, modern regulator, able to deliver its objectives in a rapidly changing environment.

Finally, I would like to thank my colleagues across the PRA for their professionalism, judgement and commitment during my 10 years as PRA CEO. Their work continues to ensure the stability and soundness of the UK financial system on which sustainable growth depends.

25 June 2026

Prudential Regulation Committee (PRC)

Members as at 25 June 2026 (a) (b)

Andrew Bailey
Governor,
Chair of the PRC

Sarah Breeden
Deputy Governor,
Financial Stability
Term: 1 November 2023 –
31 October 2028

Tanya Castell
External member
Term: 1 September 2021
– 31 August 2027

Andrea Enria
Senior Adviser at PRA
and a member of the
PRC
Term: 20 March 2025 –
19 March 2028

Antony Jenkins
External member
Term: 5 April 2021 – 4
April 2027

Niamh Moloney
External member
Term: 20 March 2025 –
19 March 2028

Marjorie Ngwenya
External member
Term: 5 September 2022 – 4 September 2028

Sir Dave Ramsden
Deputy Governor, Markets, Banking and Resolution
Term: 4 September 2017 – 3 September 2027

Nikhil Rathi
Chief Executive of the FCA
Term: 1 October 2020 – 30 September 2030

David Soanes
External member
Term: 20 March 2025 – 19 March 2028

John Taylor
External member
Term: 14 January 2021 – 13 January 2027

Sam Woods
Deputy Governor, Prudential Regulation, and Chief Executive of the PRA
Term: 1 July 2016 – 30 June 2026

(a) On 17 July 2025, Marjorie Ngwenya was reappointed as an External Member of the PRC.
(b) Sam Woods will end his term on 30 June 2026. **Katharine Braddick** will begin her term on 1 July 2026.

The PRC is the body within the Bank of England (the Bank) responsible for exercising the Bank's functions as the PRA, as set out in the Bank of England Act 1998 and Financial Services and Markets Act 2000 (FSMA). The PRC is on the same statutory footing as the Monetary Policy Committee (MPC) and the Financial Policy Committee (FPC).

The **PRC's terms of reference** provide for 12 members. Five members are Bank of England staff: the Governor, three Deputy Governors, and a PRA Senior Adviser. The Committee also includes the Chief Executive of the FCA, and at least six members appointed by the Chancellor of the Exchequer.[1]

The PRC has several non-delegable statutory responsibilities, including:

- the PRC is independent in all its decision-making functions, including making rules and the PRA's most important supervisory and policy decisions;
- the PRA's functions are exercised by the Bank and are funded by PRA fees, with the PRC responsible for consulting on and setting the level of those fees; and
- the PRC is required to report annually to the Chancellor of the Exchequer on the adequacy of resources allocated to the PRA functions and the extent to which the exercise of those functions is independent of the exercise of the Bank's other functions.[2]

The PRA's statutory objectives, which underpin its forward-looking, judgement-based approach to supervision, are:

- a general objective to promote the safety and soundness of the firms it regulates;
- specifically for insurers, to contribute to the securing of an appropriate degree of protection for those who are, or may become, insurance policyholders;
- a secondary objective to, so far as is reasonably possible, act in a way which facilitates effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities; and
- a further secondary objective to, so far as is reasonably possible, act in a way that facilitates, subject to aligning with relevant international standards, (a) the international competitiveness of the UK economy (including, in particular, the financial services sector through the contribution of PRA-authorised persons); and (b) its growth in the medium to long term.

Recommendations for the Prudential Regulation Committee

The PRA's work is also informed by HM Treasury's (HMT) remit letter, which sets out the government's economic policy recommendations to the PRC. The **PRA's response** to the **latest remit letter of November 2024** emphasised its commitment to supporting sustainable economic growth and responsible risk-taking. It noted that, to support growth, regulation must be robust and proportionate, and that it would facilitate innovation both for firms regulated by the PRA and its internal operations through the delivery of its primary and secondary objectives.

PRA's strategy

Each year, the PRA is required by section 2E of the Financial Services and Markets Act (FSMA) 2000 to review, and if necessary, revise, its strategy in line with its statutory objectives.[3] In addition, the PRA's strategy is shaped by other responsibilities such as the requirement to implement legislation and other changes necessary to meet international standards, and to continue to adapt to market changes and risks. In practice, the PRA's strategy is articulated through its strategic priorities. The strategy is set by the PRC, in consultation with the Bank's Court.

Annual Report of the PRC to the Chancellor of the Exchequer

The adequacy of resources allocated to the performance of PRA functions and the extent to which the exercise of PRA functions is independent of other Bank functions.

This section includes the separate Annual Report by the PRC to the Chancellor of the Exchequer under paragraph 19 of schedule 6A to the Bank of England Act 1998 (as amended), covering the adequacy of the PRA's resources. It relates to the period of 1 March 2025 to 28 February 2026. The PRA publishes this Report as part of its commitment to transparency.

Background

Since 1 March 2017, the PRA has been part of the legal entity of the Bank. The PRC is a statutory committee of the Bank and is responsible for the exercise of the Bank's functions as the PRA. The PRC is on the same statutory footing as the Bank's MPC and the FPC. The PRA Annual Report summarises the PRC's responsibilities and the statutory framework under which the PRA operates. Under this statutory framework, the PRC is responsible for strategy, policy and rule-making, and the adoption (with the approval of the Bank's Court of Directors and within the overall framework set by the Bank) of the budget for the PRA. These functions cannot be delegated.

The performance of the PRA functions

The PRA's objectives and strategic priorities are delivered through responsive, risk-based regulation and supervision, and by developing rules, policies and standards that set out expectations of firms. The **PRA's approach to policymaking** sets out its aim of being a strong, accountable, responsive, and accessible policymaker. The **PRA's approach to supervision** is forward-looking, judgement-based, and focused on the issues and firms that pose the greatest risk to the stability of the UK financial system and policyholders.

The adequacy of resources

The PRA is fully funded by fees paid by regulated firms and consults each year on the allocation of fees among firms. The PRA **received three responses to its fees consultation proposals in 2025/26**, which were supportive of the proposals to reduce the minimum fee for non-directive friendly societies as well as small and medium-sized credit unions and did not result in changes to the proposals set out in CP8/25 – **Regulated fees and levies: Rates proposals 2025/26**.

The PRC seeks to ensure that the PRA's resources are appropriately allocated to the work that best advances its objectives, considering a wide range of relevant factors. These include the legislative and policy framework under which the PRA operates, including the duty to have regard to certain factors under FSMA, the Legislative and Regulatory Reform Act 2006, the Equality Act 2010 and the Financial Services Act 2021. Although the PRA does have the ability to raise additional funds during the year, it operates within a set budget which for 2025/26 was subject to a reduction in headcount equivalent to 4%. Resourcing decisions are prioritised based on its ability to deliver its objectives and the PRA proactively reallocates resources intra-year in response to internal and external developments to ensure the greatest impact on delivery of its objectives. As the Bank pivots its spending towards long-term investment, constraint on the PRA's resources means that its ability to prioritise where it allocates business-as-usual resources to maximise their impact on its statutory objectives has become more important, and will remain so in the period ahead.

In 2025/26, the PRA made substantive progress against its four strategic priorities by: (a) delivering the actions in its 2025/26 Business Plan; (b) delivering effective supervision and policymaking; (c) effectively managing emerging risks as they relate to the delivery of its objectives, including geopolitical trends and economic and financial market developments; and (d) addressing feedback received from firms through its firm feedback survey. Internally, the PRA continued to focus on improving how it operates as an organisation, including through process efficiencies.

The PRC received regular updates on the PRA's performance, budget and risks throughout the year. The PRC has regular interactions with PRA staff and PRC members have the benefit of their own engagement with industry. Regular reporting to the PRC covers: progress against strategic priorities; budget and headcount position including a view of skills and experience; staff turnover and wellbeing; technology availability; and the PRA's internal operational risk profile and mitigants.

The PRA continues to invest in technology to improve its operational effectiveness. This investment is in the context of the Bank's overall technology estate, where there is a wider programme of work underway to address obsolescence and invest in infrastructure to make the Bank fit for the future. This will benefit the PRA, though the sequencing and pace of the wider work will continue to limit the speed with which the PRA is able to deliver some of its specific work, including projects to achieve its data transformation ambitions and continued efforts to improve operational efficiency. PRC will continue to monitor level of PRA specific investment and the impact of PRA's priorities, as set out in the **2026/27 Business Plan**, accounting for the risk profile.

During 2025/26 the PRA reduced its budgeted headcount by 55 FTE, equivalent to 4%. Levels of staff turnover decreased from the previous year, but PRC supported the PRA's Executive Committee's continued focus on ways to support the development of key skills and experience. This included a refreshed Regulatory Learning Framework, increased secondments, and the continuation of technical and non-technical learning and development, tailored to local areas.

> **Regular reporting on performance and other evidence provided to the PRC during the year enabled PRC to conclude that the PRA had adequate resources during 2025/26 to deliver its objectives, including via supervision and policymaking, as well as effectively embedding the secondary competitiveness and growth objective, in line with its strategic priorities.**

The extent to which the exercise of PRA functions is independent of other Bank functions

The PRA has a number of safeguards in place to ensure that it retains sufficient operational independence, including the independence of the PRC, and the funding and reporting arrangements set out in FSMA and the Bank of England Act 1998.

The PRA is located within the Bank and contributes to effective policymaking on financial stability. Roles and responsibilities of the Bank and PRA are distinct, and functions are discharged in line with the Basel Core Principles. In accordance with its legislative obligations, [4] the Bank continues to maintain arrangements to ensure that its functions as resolution authority are operationally independent from its functions as the PRA. These arrangements are set out in a published **statement**.

The PRC is structurally separated from the FPC and MPC and has different external memberships. The PRC and FPC hold all meetings separately, except those to discuss matters of mutual interest. The FPC can direct prescribed macroprudential measures and recommend actions to reduce financial stability risks, including to the PRA. This can sometimes mean that the FPC takes decisions that constrain the actions determined by the PRC.

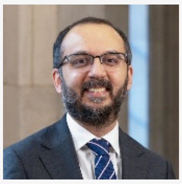
The PRC is also independent of other Bank functions in all its decision-making functions, which include making rules, and the PRA's most important supervisory and policy decisions. The PRC also maintains its independence by ensuring that potential and actual conflicts of interest across its members are identified and managed on a continual basis, and by having its own internal infrastructure and processes that supplement Bank-wide arrangements. PRC members' remuneration is determined by the Bank's Remuneration Committee.

The fee income generated from regulated firms can only be used for the functions covered by the statutory framework that the PRA operates within. The PRA's budget covers its direct costs, as well as indirect costs charged by the Bank, including those for central functions such as technology, finance, and human resources. The Bank's external auditors review the allocation of indirect costs charged by the Bank and provide external assurance that costs have been allocated appropriately.

The effective operation of the safeguards in place enabled PRC to conclude that the PRA exercised its functions during 2025/26 with appropriate independence from the Bank.

PRA senior leadership team

The senior leadership team at the PRA is below as at 25 June 2026 (a) (b)

 **David Bailey** Executive Director, Prudential Policy	 **Simon Dixon** Director, Supervisory Risk Specialists Directorate	 **Phil Evans** Director, Prudential Policy
 **Charlotte Gerken** Executive Director, UK Deposit Takers Supervision	 **Talib Idris** Director, PRA Strategy, Risk and Operations	 **Rebecca Jackson** Executive Director, Authorisations, RegTech and International Supervision
 **Shoib Khan** Director, Insurance Supervision	 **Duncan Mackinnon** Executive Director, Supervisory Risk Specialists	 **Alison Scott** Director, Authorisations, RegTech and International Supervision

 **Gareth Truran** Executive Director, Insurance Supervision	 **Laura Wallis** Director, UK Deposit Takers Supervision	 **Vicky White** Director, Prudential Policy Directorate
 **Sam Woods** Deputy Governor, Prudential Regulation and Chief Executive of the PRA		

(a) Ben Martin held the post of Director for PRA Strategy, Risk and Operations until November 2025. In November 2025, Talib Idris was appointed as the new Director of the PRA Strategy, Risk and Operations Directorate.
(b) Sam Woods will end his term on 30 June 2026. Katharine Braddick will begin her term on 1 July 2026.

PRA strategic priorities 2025/26

This section summarises the PRA's strategic priorities and outlines how these have furthered its statutory objectives during 2025/26.

Priority 1: Maintain and ensure the safety and soundness of the banking and insurance sectors and ensure continuing resilience.[5]

Since its launch in 2013, the PRA has strengthened the safety and soundness of firms, protected insurance policyholders, and promoted financial stability through comprehensive reforms and robust regulatory standards. Its expanded rule-making powers under FSMA 2023 have enabled the PRA to adopt a risk-based, UK-specific approach while maintaining strong international collaboration. During 2025/26, the PRA delivered targeted rule reforms, and worked closely with firms to monitor their implementation, including Solvency UK and **operational resilience requirements**. The PRA also **finalised the Basel 3.1** package, the vast majority of which will be implemented on 1 January 2027. The implementation of these reforms and the PRA's ongoing supervisory activity have ensured that firms remain well-capitalised, maintain strong liquidity and stable funding profiles, and have strong operational resilience including cyber resilience.

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

The PRA adapted to changes in the external environment, economic conditions, and other risks impacting its statutory objectives. It identified risks to financial stability through the BCST and the LIST, ensuring that supervisory and policy resources were directed to the most material areas of emerging risk. The PRA also contributed internationally by working with the Basel Committee for Banking Supervision (BCBS), Financial Stability Board (FSB) and International Association of Insurance Supervisors (IAIS) and worked to mitigate risks arising from geopolitical trends and economic and financial market developments through the PRA's supervisory and policy work. The PRA is monitoring the increasing use of new technologies like artificial intelligence (AI) within PRA-regulated firms and is supporting responsible AI adoption through ongoing dialogue with industry.

Priority 3: Support competitive, dynamic and innovative markets, alongside facilitating international competitiveness and growth, in the sectors that we regulate.

Over the past year, the PRA has advanced its secondary objectives by implementing regulatory measures designed to foster competitive and dynamic markets, while also supporting international competitiveness and growth within the sectors it regulates. For example, the PRA finalised its Strong and Simple **rules for Small Domestic Deposit Takers** (SDDTs), and updated policy (supervisory statement (SS) 5/21 – **International banks: The PRA's approach to branch and subsidiary supervision**) to refine the PRA's approach to the supervision of international banks' UK branches to clarify expectations for booking arrangements and liquidity reporting.

The PRA also streamlined regulatory reporting for banks through its Future Banking Data (FBD) Programme, and launched the MAIA to reduce barriers to timely investment by insurers, provided tailored support for fast-growing and innovative financial firms through its new **Scale-up Unit**, and supported the **Office for Investment: Financial Services'** (OfI:FS) concierge service which provides a single front door for international financial services firms wishing to set up or expand their operations in the UK.

Priority 4: Run an inclusive, efficient, and responsive regulator within the central bank.

In 2025/26, the PRA enhanced its operational efficiency and productivity by streamlining regulatory processes and facilitating smoother industry interactions. The transition to a two-year **Periodic Summary Meeting** (PSM) cycle for all firms in 2026 will allow firms and supervisors to focus resources more efficiently and reduce regulatory burden on firms, while maintaining supervisory effectiveness. The PRA also increased its adoption of emerging technology tools to improve its regulatory processes for firm authorisations, the SM&CR, and internal model permission application and approvals. Internally, other process improvements and efficiencies were identified and implemented, aligned with broader Bank-wide initiatives on efficiencies and investment to manage technology obsolescence.

Summary of work completed – 2025/26

The PRA's activities were directed by its 2025/26 Business Plan and in line with its strategic priorities.

PRA's achievements in advancing its statutory objectives

This section sets out how the PRA advanced its primary statutory objectives of promoting the safety and soundness of PRA-regulated firms and contributing to the securing of an appropriate degree of protection for policyholders, while also advancing its secondary objectives on competition, and international competitiveness and growth during 2025/26.

Banking

A central milestone for the PRA was the publication of the final rules implementing the **Basel 3.1 international standards** that set the capital that banks and building societies must hold. The vast majority of the rules, which strengthen the risk sensitivity of capital requirements while avoiding an overall increase in system-wide capital requirements, will come into force in January 2027. The market risk element of the Basel rules will come into force in January 2028. The phased timetable has allowed the PRA to account for developments in other jurisdictions, in line with its commitment to resilience and proportionality.

Alongside this, the PRA finalised the **Strong and Simple framework** for SDDTs. This regime introduces targeted simplifications across capital, liquidity and reporting requirements without weakening SDDTs' overall resilience. The PRA also withdrew the supervisory statement setting out specific expectations on building societies' activities, promoting a level-playing field with banks.

Drawing on lessons from the failure of **Silicon Valley Bank UK in March 2023**, the **PRA's consultation to refine its framework** for UK branches of international banks led to clearer expectations for booking arrangements and liquidity reporting. The updated policy (**SS5/21**) took effect upon publication in May 2025.

The PRA also made substantial progress in restating assimilated Capital Requirements Regulation (CRR) provisions in the PRA Rulebook under FSMA 2023. These changes improve the accessibility and coherence of the UK prudential framework, supporting effective supervision and clearer expectations for firms, while remaining aligned with international standards.

In parallel, the safety and soundness of the UK banking system was reinforced by the results of the **2025 BCST**, which demonstrated that, consistent with the PRA's statutory objectives, the banking system remains resilient and capable of supporting the economy under a severe but plausible stress scenario.[6] In December 2025, the Bank also launched its **second SWES**, supported by the PRA, to build a clearer understanding of how private markets behave under severe but plausible stress.

Work to advance the FBD Programme has helped to streamline regulatory reporting, improve data quality and reduce reporting costs for firms, advancing both primary and secondary objectives. Discussion paper (DP) 1/26 – **Future banking data**, published in February 2026, explains how the PRA uses data for supervisory, operational, and policy purposes and suggested four broad principles to help guide the FBD Programme's work.

Taken together, these reforms strengthened the safety and soundness of the banking sector, improved proportionality for smaller firms, and supported competitive and dynamic UK banking markets.

Insurance

The PRA continued to strengthen the resilience of the UK insurance sector while supporting innovation, competitiveness and long-term investment under the Solvency UK framework. Tailored to the UK insurance market, the new framework is a simplified, more flexible regime that supports market entry.

Building on reforms to the Matching Adjustment (MA), the PRA introduced a new centralised permissions model, including a streamlined review channel, to support faster and more predictable decision-making. The PRA also implemented the MAIA to enable insurers to invest more quickly in newly eligible assets, supporting productive investment while maintaining robust prudential standards.

During the year, the PRA enhanced the UK ISPV regime to improve its competitiveness and usability for insurance risk transfer and insurance-linked securities, while maintaining strong prudential standards and policyholder protection. The PRA also began work to develop a new captive insurance regime in the UK.

The resilience of the life insurance sector was also underpinned by the results of the **2025 LIST**. The exercise demonstrated that major UK life insurers could withstand a severe financial market stress scenario, and for the first time individual firm results for the core scenario were published, enhancing transparency.

Taken together, these actions supported a resilient and competitive insurance sector, strengthened policyholder protection, and improved the efficiency of the PRA's authorisations and supervisory approach.

Multi-sector

In 2025/26, the PRA progressed a number of cross-cutting initiatives designed to support competitive, dynamic and resilient markets across the sectors it regulates. For example, in December 2025, the PRA and the FCA published a joint review of the UK mutuals landscape, highlighting the sector's important role in the financial system and identifying opportunities to support long-term, sustainable economic growth. Building on this work, the PRA finalised reforms to remove regulatory barriers for credit unions wishing to establish **Credit Union Service Organisations**.[7] These entities provide shared services to credit unions and aim to deliver economies of scale and other efficiencies that can support greater operational effectiveness, resilience, and sustainable growth across the sector.

The PRA delivered a major milestone in its work on ease of entry and exit, with its **solvent exit policy for banks** coming into force in October 2025. This strengthens confidence that firms can leave the market in an orderly and solvent manner without threatening financial stability. The PRA began preparations for the implementation of the **equivalent policy for insurers** in June 2026.

Operational resilience remained a core cross-sector priority. Following the implementation of the **operational resilience framework in 2025**, the PRA continued to monitor and challenge firms' progress in embedding resilience into their operations. In parallel, the PRA worked closely with the Bank and the FCA to support implementation of the CTP regime and to prepare for the supervision of CTPs once they are designated by HMT.

The PRA continues to update and refine policy in a number of other areas, including those that help to maintain pace with international standards. In December 2025, the PRA published SS5/25 – **Enhancing banks' and insurers' approaches to managing climate-related risks** as part of **PS25/25**. SS5/25 enables firms to take a proportionate approach to managing their climate-related risks, in line with the materiality and consistent with **the PRA's approach to the supervision of the banking and insurance sectors**. Work with industry is underway, including through the Climate Financial Risk Forum (CFRF), to support firms in implementing these expectations.

Across sectors, the PRA continued to improve the effectiveness and predictability of its authorisation and approval processes, supporting entry, expansion and investment while maintaining robust prudential standards. The PRA published metrics showing that 100% of authorisation decisions over the year were delivered within statutory deadlines. The PRA has also made significant progress towards the shorter deadlines that the Government has announced it intends to legislate for including bringing the length of from three to two months.

The PRA also progressed reforms to the SM&CR, publishing **final 'Phase 1' policy changes** to improve flexibility, reduce unnecessary administrative burden and support effective accountability within firms. This work was undertaken alongside HMT's consideration of wider legislative reform to the regime.

Taken together, these initiatives supported effective competition alongside the PRA's primary objectives and helped ensure that its regulatory approach remains proportionate and responsive across a diverse range of firms and sectors.

Alongside its core sector-specific activity, the PRA implemented a number of initiatives during 2025/26 that strengthened its governance, accountability and evidence base, and supported effective delivery of its statutory objectives. For example, the PRA continued to engage closely with the Cost Benefit Analysis (CBA) Panel,[8] which provides independent advice on the preparation of cost benefit analyses for PRA and Bank policy proposals.[9]

The PRA also measures performance against minimum supervisory expectations for all Category 1 and Category 2 firms. This is discussed at each PSM and regularly reported to the PRA Executive Committee.

Box A: Advancing the PRA's secondary objectives

The PRA's statutory objectives include a secondary objective to act in a way which facilitates effective competition; and a further secondary objective to act in a way that facilitates, (i) the international competitiveness of the UK economy and (ii) its growth in the medium-to-long term.

This section sets out how the PRA has advanced its secondary competition and competitiveness and growth objectives. Many of these initiatives are also discussed in other sections of this Report.

Secondary competitiveness and growth objective (SCGO)

Under the SCGO, in 2025/26 the PRA continued to focus on three key foundations for sustainable growth: maintaining trust in the UK prudential framework, adopting effective regulatory processes and engagement, and taking a responsive and responsibly open approach to UK risks and opportunities. Work is ongoing to ensure that the different parts of the prudential framework strike the optimal balance to deliver financial and operational resilience. In addition, work is also ongoing to facilitate the international competitiveness of the UK economy, and its growth in the medium to long-term, subject to aligning with relevant international standards.. Further details are set out below.

Maintaining trust

The PRA implemented a number of key prudential reforms to **maintain trust** in the UK financial system. These initiatives help to maintain a credible regulatory framework, which remains a vital precondition for hosting a global financial centre and protecting UK financial stability. One example is the **finalisation of the Basel 3.1 standards** rules that enhance resilience of the banking sector and are appropriately tailored to the UK market, for example around **lending to small and medium-sized enterprises** (SMEs). The PRA has also supported the **FPC's judgement** that the updated appropriate benchmark for the system-wide level of Tier 1 capital requirements is around 13% of risk-weighted assets (down from 14% previously).

The PRA's work on CTPs aims to manage systemic risks and strengthen operational resilience of CTPs to facilitate the safe adoption of technology by financial firms, thus promoting technological innovation and growth. In February 2026, the PRA also set out a new **approach for recognising overseas regimes**, aimed at supporting cross-border market access while maintaining high prudential standards. Throughout the period, the PRA continues to work to align its prudential framework with international standards, while considering the requirements of the UK.

Regulatory processes

In the past year, the PRA has continued to improve its **regulatory processes** to make it easier for firms to do business in the UK and reduce unnecessary burden. In particular, the PRA has improved the performance of its authorisations function, made its supervisory key performance indicators (KPIs) more ambitious, and supported the launch of a **concierge service initiative** to facilitate firms locating businesses in the UK.

From January 2026, the PRA also enhanced its engagement with banks and building societies as part of the IRB model review process. It committed to review applications in six months and take final decisions in 18 months. In July 2025, the PRA set out possible **changes to residential mortgage exposures** under the IRB approach to credit risk, which could allow typically smaller and newer firms to get IRB approval and grow their business. In addition, the PRA has facilitated effective regulatory engagement with the Society of Lloyd's and streamlined the **UK ISPV application process**.

The PRA is taking forward several initiatives to reduce administrative costs on firms, which is supporting the government's target of reducing the **administrative cost of regulation** to firms by 25%. For example, during 2025/26, the PRA streamlined regulatory reporting for banks, through its FBD Programme. Further work in this area is set out in the PRA **2026/27 Business Plan.**

Responsibly open

Another way in which the PRA is facilitating international competitiveness and growth is by taking a responsive and **responsibly open** approach to risk in pursuit of opportunities. The PRA finalised major reforms to the securitisation prudential framework, which will come into effect in January 2027. Alongside the FCA, in February 2026, the PRA also consulted on **significant changes to the securitisation rules** to make the UK securitisation regime more proportionate. In October 2025, the PRA finalised changes to **increase flexibility around senior banker pay**. In addition, in November 2025, the PRA published **DP2/25** which sets out potential policy changes that could support capital raising and innovation in the life insurance sector. Other PRA initiatives that contribute to responsible openness to risk and opportunity included **launching the MAIA**, and updates to the approach to third country branches and subsidiaries.

External communication and engagement on the SCGO

The PRA maintains several mechanisms to gather industry feedback on its rules and to inform its policymaking. It also gathers input through regular supervisory engagement, roundtables with firms and trade associations, Subject Expert Groups , and events such as **PRA Innovation Week**, as well as the PRA Practitioner Panel and the Insurance Practitioner Panel (**the Panels**).

Since the introduction of the SCGO, the PRA has kept its stakeholders informed on how it is embedding the objective and supporting international competitiveness and growth. Going forward, the PRA will continue to be transparent about its work and will meet its statutory reporting duties. This includes reporting on metrics that help **monitor the PRA's performance against its SCGO**, which can be found in Appendix 1 of this Report.[10]

In August 2025, the **PRA responded to the House of Lords FSRC inquiry** into the SCGO. It has provided a 12-month update to the Committee alongside this Report. In December 2025, the PRA published an **open letter to the Prime Minister** from PRA CEO Sam Woods, updating on his **January 2025 letter on growth**. Senior PRA leaders have also used speeches to provide external stakeholders with updates on the PRA's work – for example, Sam Woods' **speech at Mansion House**.

Secondary competition objective (SCO)

The new Strong and Simple Framework for SDDTs is one example of how the PRA has continued to facilitate effective **competition**. The PRA and FCA has also launched a **Scale-up Unit** to provide tailored support for fast-growing and innovative financial firms. The first cohort of six banks and building societies to benefit from the joint Scale-up Unit was **announced at the start of the year**. There have been a number of bilateral and group engagements with PRA and FCA officials to understand firms' scaling experience and help shape regulatory policy and processes. The Scale-up Unit has also engaged with insurers that are scaling up or intend to do so. It is available to eligible insurers, subject to the criteria set out on the PRA website.

In the same month, it published a package of resolution initiatives to reduce potential barriers to growth for mid-tiers and reduce burden for the very smallest firms.[11] In November 2025, the PRA increased the retail deposits threshold of **the leverage ratio requirement to £75 billion** to allow smaller firms more space to grow before becoming subject to a leverage ratio regime. It also introduced a three-year averaging mechanism to smooth cliff-edges for firms. The PRA also facilitated competition by withdrawing prescriptive supervisory guidance for building societies and by finalising reforms to support Credit Union Service Organisations.

1: Banking

Implementation of the Basel 3.1 standards

In January 2026, the PRA finalised its rules to implement the remaining parts of the Basel III standards in the UK (the Basel 3.1 standards). The new rules will support the resilience of the UK banking system by ensuring that firms hold capital that better reflects the risks they take. Importantly, they will not result in a material increase in overall capital requirements for the sector, thereby supporting growth in the economy by allowing firms to compete and provide a diverse range of services.

PS1/26 – **Implementation of Basel 3.1: Final rules** confirmed an implementation date of 1 January 2027 for all elements of Basel 3.1 with the exception of the internal model approach for market risk, which will be implemented on 1 January 2028.

Separately, CP17/25 – **Basel 3.1: Adjustments to the market risk framework** proposed to delay the implementation of the internal model approach for market risk, given the cross-border nature of the trading activity it applies to and the continued uncertainty over the timing of the implementation in other jurisdictions.

The PRA has started preparations for its implementation of the Basel 3.1 regime ready for 1 January 2027.

Implementation of the Strong and Simple framework SDDTs

The PRA's Strong and Simple initiative seeks to simplify the prudential framework for small, domestic-focused banks and building societies, while maintaining their resilience.

In January 2026, the PRA published the final rules and policies for **the simplified capital regime for SDDTs and SDDT consolidation entities**. The regime includes simplifications to the calculation of regulatory capital, and capital-related reporting of Pillar 1, Pillar 2A, and capital buffers, and builds on the simplifications to liquidity and disclosure requirements for SDDTs implemented in 2024. The PRA also further simplified the **Internal Capital Adequacy Assessment Process** (ICAAP) and **Internal Liquidity Adequacy Assessment Process** (ILAAP). The ICAAP and ILAAP simplifications took effect in January 2026. The remaining elements take effect on 1 January 2027.

In 2025/26, around 80% of eligible firms were already using the Strong and Simple regime.[12] The PRA also began implementation of the SDDT capital regime ready for 1 January 2027. This 'off-cycle review' will ensure SDDTs Pillar 2 capital requirements and buffers are set on the new basis ahead of the new regime taking effect.

Bank stress testing

This is run every two years and assesses UK banks' ability to support the economy if economic conditions turn out materially worse than expected.

The results of the 2025 BCST were published in the **Financial Stability Report – December 2025**. The test indicated that major UK banks are resilient to a severe stress scenario that incorporated persistently higher advanced-economy inflation, increasing global interest rates, deep and simultaneous recessions in the UK and global economies. This also included materially higher unemployment and sharp falls in asset prices.

The private markets ecosystem continues to expand and remains complex and opaque. The PRA has undertaken a range of thematic and firm-specific reviews, and targeted analysis of funds finance, leveraged lending and project finance, as well as including a private markets element within the BCST. Exposures are material in aggregate but remain concentrated in lower-risk segments characterised by low loan-to-value ratios and portfolio-backed structures. [13] Looking ahead, supervisory work, including through the SWES, will further assess these channels. There will be ongoing monitoring and escalation where standards weaken, remediation proves insufficient, or exposures grow materially.

Internal ratings based (IRB) models, model risk and credit risk management

Model risk management principles

The PRA completed its initial review of firms' progress in implementing SS1/23 – **Model risk management principles for banks**, which aims to manage the adverse consequences for firms' safety and soundness from model errors or the inappropriate use of modelled outputs to inform business decisions, and became effective in May 2024.

This review covered the first cohort of in-scope firms. The review of the remaining firms is in progress with plans to conclude by end 2026. Following the initial review, the PRA held a series of **CRO roundtables** to discuss its findings and for firms to raise any challenges in their experience of SS1/23 implementation, including a discussion on the management of models using artificial intelligence and/or machine learning.

IRB model review process

During the year, the PRA enhanced its IRB model review processto be more responsive and agile for banks using credit risk models. The enhanced IRB process is effective for model applications received from 1 January 2026, with each firm allocated a dedicated submission slot. The PRA intends to determine the outcome of complete applications for material model changes within six months. For firms seeking an IRB permission for the first time, the PRA has offered dedicated support, including named account managers, and intends to reach final decisions within 18 months, provided applications are complete.

Market risk and counterparty credit risk

The PRA continued to explore market risk and counterparty credit risk estimation methods, with a strong focus on new approaches introduced as part of Basel 3.1. The first such reviews, relating to the standardised approaches for market risk and credit valuation adjustment, were completed, with work on further applications expected in 2026 H2.

Reviews on the new internal model approach for market risk have resumed following a pause in 2025, with UK implementation set for January 2028.

Responsible openness to international branches

In 2024/25, the PRA conducted a consultation to **refine its framework for international banks' UK branches**, drawing on lessons from the failure of Silicon Valley Bank UK in March 2023. This led to clearer expectations for booking arrangements and liquidity reporting, while reaffirming the UK's status as a responsibly open jurisdiction. The updated policy (**SS5/21**) took effect immediately upon publication on 20 May 2025.

Changes to branch reporting, including revisions to **SS34/15** and guidance on the Branch Return Form, took effect from 1 March 2026. Firms were required to submit the new Branch Return Form data as at 30 June 2026 within 30 business days. For booking arrangements, firms are required to self-assess against revised expectations and provide their PRA supervisory contact with explanations of any gaps and proposed remediation timelines. Branch operations are largely unaffected, with smooth implementation enhancing oversight and maintaining the UK's openness to international banking.

Capital Requirements Regulation (CRR)

FSMA 2023 provides a framework that enables the repeal and replacement of assimilated law relating to financial services with rules or new legislation tailored to the UK's domestic market model, its regulatory remit and statutory objectives.

During 2025/26, the PRA completed the transfer of significant quantities of the provisions from the assimilated CRR to the PRA rulebook and relevant materials via PS12/25 – **Restatement of CRR and Solvency II requirements in PRA Rulebook – 2026 implementation**, PS19/25 – **Restatement of CRR requirements – 2027 implementation – near-final** and PS3/26 – **Restatement of CRR requirements – 2027 implementation – final**. These rules will come into effect on 1 January 2027.

Digital money and tokenised assets

During 2025/26, the PRA contributed to work with the Basel Committee on Banking Supervision's (BCBS) to review targeted elements of the international standard for the **prudential treatment of cryptoasset exposures**.

The PRA has also continued to contribute to the Bank's broader work on **innovation in money and payments**, including through monitoring developments in deposit takers' innovation in deposits, e-money, and stablecoins.

Future Banking Data (FBD) Programme

FBD aims to deliver tangible cost reductions in banking regulatory reporting, in line with the SCGO, and improvements to the relevance, quality and timeliness of data collected to fulfil its primary objective. The project, established during 2025, has drawn on lessons from prior work to streamline data collections for insurers, and builds on the Banking Data Review and aspects of the Bank's collaborative work with industry and the FCA on Transforming Data Collection.

FBD delivered on a focused programme of work in 2025/26:

- In September, the PRA consulted on proposals to delete 37 underused or duplicative whole templates, mostly FINREP, and finalised these proposals in PS27/25 – **Future banking data review: Deletion of banking reporting templates**.
- The PRA has begun work, together with industry and the FCA, to shape the future strategy for FBD, with roundtable discussions throughout the year. In February 2026, the PRA published **DP1/26**. The DP sets out the PRA's approach to the use of regulatory banking data and seeks views on how the collection and use of that data could be modernised to better support supervision and policy, while reducing unnecessary reporting burden on firms.
- The PRA also launched testing of a **new communications portal** with select firms to gather data needed to support certain regulatory transactions. This firm-facing portal will facilitate interactions with the PRA, focusing on improving firms' experience with data collection, the quality of data that the PRA collects, and supervisory efficiency.

Securitisation

In 2025/26, the PRA finalised major reforms to the securitisation prudential framework which will be effective from January 2027. These included changes to the securitisation standardised approach and to the capital treatment of residential mortgages under the Government's Mortgage Guarantee Scheme (MGS). The PRA, alongside the FCA, also consulted on material changes to the securitisation conduct rules in CP2/26 – **Reforms to securitisation requirements**.

These proposals aim to make the framework more proportionate, introduce an additional IRB capital treatment for the MGS, and substantially reduce the administrative burden on UK firms engaged in securitisation and participating in MGS. The PRA and FCA intend to publish the final securitisation rules in 2026 H2.

Remuneration reforms

In October 2025, the PRA and FCA jointly published finalised reforms to the **remuneration regime** for dual-regulated banks, building societies and PRA designated investment firms, making the framework simpler, more effective, and more proportionate. A key change is the introduction of a four-year minimum bonus deferral period for all Material Risk Takers, including Senior Managers. This replaces the previous seven-year requirement for certain senior roles and the five-year period originally proposed at consultation.

The PRA also introduced greater flexibility in how firms can structure variable pay. Firms may now pay interest or dividends on deferred remuneration, calculate the share of bonuses that must be deferred more proportionately and have greater discretion over the proportion of pay that can be delivered in cash up front.

Overall, the reforms maintain strong accountability for risk taking while reducing unnecessary complexity and compliance costs. They are expected to support UK firms in attracting and retaining senior staff more competitively and reinforce the UK's position as an attractive global financial centre.

2: Insurance

Solvency UK: Accelerating innovation and investment

In 2024, the PRA implemented reforms to the MA rules to enable the life insurance sector to play a bigger role in investing in the UK economy. As part of the implementation, the PRA established both a new MA application process and a dedicated MA permissions team to improve the speed and efficiency of processing new MA applications, particularly those involving newly eligible asset classes.

In line with its commitment to make MA decisions efficiently and within the accelerated timelines that it has set out, the PRA completed 12 MA application reviews and 11 application readiness assessments in the period covered by this Report. Of the MA application reviews, five were allocated to a streamlined review channel, taking an average of 2.5 months for a decision to be reached. For the remainder, a decision was reached in just under 4.5 months on average. Firms have welcomed the PRA's new centralised model for processing MA applications, as well as the speed and quality of engagement.

The PRA also introduced the **MAIA** in October 2025. The MAIA is designed to allow insurance firms to invest more quickly in new assets, helping them deliver on their commitments to invest to support UK economic growth. The PRA received two MAIA applications in time for processing before the end of the period under review and granted permission in both cases.

The PRA will aim to continue to deliver efficient and timely decisions on MA and MAIA applications, including those from firms seeking to broaden the investments in their MA portfolios to take full advantage of the recent Solvency UK reforms.

Growth in the bulk purchase annuity (BPA) market, including funded reinsurance (Funded Re)

In the **2025 insurance priorities** letter, the PRA highlighted how the structure and complexity of BPA transactions were evolving to meet high levels of demand from pensions schemes and strong competition between providers. In July 2025, the PRA published a **Dear CRO letter**, setting out its view of UK life insurers' use of solvency-triggered termination rights clauses in BPA transactions.

The PRA has also maintained a strong focus on Funded Re, which is used by UK life insurers as part of their BPA strategies. Following the publication of SS5/24 – **Funded Reinsurance**, the PRA continued to engage with insurers to ensure that its supervisory expectations were being met. The PRA also engaged with insurers, both bilaterally and in a series of roundtables, to develop a common understanding of the issues and risks posed by Funded

Re. This engagement informed further policy action in this area as set out in the **PRA 2026/27 Business Plan**: specifically, practical proposals in **CP8/26** to better align the capital treatment of Funded Re with that for comparable direct investments, and thus remove a distortion that has driven rapid growth in volumes of Funded Re.

Life Insurance Stress Testing (LIST)

In 2025, the PRA conducted the **2025 LIST** exercise. The **results published in November 2025** provided evidence that the life insurance sector is resilient to a severe financial market stress scenario that impacts insurers' investment portfolios through a decline in risk-free interest rates and falls in equity and property prices, along with widening credit spreads and subsequent defaults and downgrades. For the first time the PRA published **individual firm results** for the core scenario. This exercise provided valuable insights into the financial resilience of the largest UK life insurers. The publication of individual firm and sector findings supported transparency and enhanced understanding as to how firms' financial positions evolve under stress and was welcomed by users of disclosures. The PRA confirmed in February 2026 that the **next LIST exercise** would take place in 2028.

Liquidity reporting for insurers

In September 2025 the PRA finalised **new liquidity reporting requirements** for major insurance firms with significant exposure to derivatives or securities involved in lending or repurchase agreements. The need for enhanced data and oversight has been underscored by market stress events, including the March 2020 'dash for cash' at the onset of the Covid-19 pandemic, and the September 2022 liability-driven investment crisis.

Following publication of the final policy, the PRA also engaged with firms and relevant industry bodies to support firms' preparations ahead of the first reporting date in September 2026.

Insurance special purpose vehicles (ISPVs)

During 2025/26, the PRA finalised reforms to the UK ISPV regime through PS9/25 – **Changes to the UK ISPV regulatory framework**. The changes streamlined the authorisation and supervisory framework for UK ISPVs, introducing a more proportionate and accelerated approval pathway for certain transactions, such as certain types of catastrophe bonds. A new Senior Management Function tailored to UK ISPVs was also introduced to ensure accountability and effective governance.

These measures, taken together, aim to enhance the attractiveness of the UK for insurance-linked securities while maintaining robust prudential standards for UK cedants using SPVs for risk mitigation. The PRA notes that HMT has indicated that it will **amend the existing**

legislation for ISPVs. As such the PRA plans to consult on further ISPV reforms, intended to add further simplicity, flexibility, access and to also improve protected cell company use for ISPVs, in due course following the removal of legislative barriers.

Captive insurers

The PRA also began work to **introduce a bespoke regulatory regime for captive insurers in the UK**. Extensive engagement with a wide range of stakeholders undertaken in this period will underpin a consultation in summer 2026 on a proposed regime that will promote a commercially successful UK offering in this competitive sector.

General insurance

To support targeted supervisory intervention in softening market conditions, the PRA developed underwriting performance diagnostic metrics, drawing on regulatory reporting data. These metrics were used to identify potential underwriting weaknesses across firms and inform supervisory action. This exercise will be repeated in 2026 to incorporate 2025 year-end data.

Additionally, analysis of 2025 internal model data continues to indicate evidence of systemic model drift, driven by optimistic assumptions regarding expected underwriting profitability. This suggests that softening market conditions are not being adequately reflected in firms' internal models and that firms' solvency capital requirements may be understated which, in turn, undermines firms' financial resilience. Therefore, as outlined in the PRA's **2026 insurance priorities letter**, the PRA will explore a more evidence-based approach to the treatment of underwriting profit in firms' internal models. The PRA will also undertake a **Dynamic General Insurance Stress Test** for the first time in 2026.

3: Multi-sector

Review of the current mutuals landscape in the UK

In 2025 the PRA conducted significant work to support the mutuals sector. In December 2025 the PRA and FCA published a **joint report on the Mutuals Landscape**, highlighting the regulators' ambitions to facilitate the long-term sustainable growth of the sector, and to ensure that mutuals have the same opportunities to compete as other firms. The PRA engaged with mutuals and trade associations across multiple events throughout the year, which helped shape the report.

Through this engagement, the PRA heard that some smaller firms could face barriers to launching new products, including development and testing costs and regulatory complexity. The PRA acknowledges the value in societies working closely together and sharing experiences. Updated rules around shared services undertakings will make it easier for Credit Unions to collaborate, and the PRA is open to exploring similar plans for the building society sector.

Other regulatory initiatives relevant to the mutuals sector

The PRA also progressed several regulatory initiatives. The PRA consulted on the withdrawal of SS20/15 – Supervising building societies' treasury and lending activities, which imposed prescriptive expectations on building societies that banks were not subject to. The PRA subsequently published PS26/25 – **Discontinuing SS20/15: Supervising building societies' treasury and lending activities**, withdrawing SS20/15, and thereby creating a more level playing field between building societies and banks.

In addition, the PRA published CP13/25 – **Credit Union Service Organisations** to consult on rule changes to remove barriers preventing credit unions from establishing Credit Union Service Organisations. The PRA subsequently finalised this policy in **PS5/26**. As set out in its **2026/27 Business Plan**, the PRA and FCA intend to review the credit union regulatory framework, exploring more risk based prudential requirements for larger, more complex firms while enhancing proportionality for smaller credit unions.

Ease of entry and exit

Ease of exit is a **vital corollary** to greater ease of entry into UK markets. It enables a dynamic and competitive market that entrants can join and leave with minimal impact on the wider market and the PRA's statutory objectives.

The PRA's ease of exit policy for some banks and building societies, set out in PS5/24 – **Solvent exit planning for non-systemic banks and building societies**, came into force on 1 October 2025. The corresponding policy for insurance, set out in PS20/24 – **Solvent exit planning for insurers**, will come into force on 30 June 2026. Under PS5/24 and PS20/24, all firms in scope of the policy must prepare Solvent Exit Analyses and, where an exit becomes a reasonable prospect, Solvent Exit Execution Plans. These policies are designed to increase confidence that firms can exit the market while solvent, and in an orderly way, without having to rely on the backstop of an insolvency or resolution process.

The PRA has implemented the ease of exit policy for banks and building societies in scope of the policy. Ahead of June 2026 the PRA will implement the policy for insurers. The PRA will continue to engage with relevant industry bodies to support firms' effective implementation of these policies.

Operational risk and resilience

Operational resilience refers to the ability of firms, their groups, and the financial sector as a whole to prevent, adapt to, respond to, recover from, and learn from operational disruptions.

Following full implementation of its **operational resilience policy** in March 2025, the PRA continued to monitor and challenge firms as they build resilience in the evolving threat environment. To support this, the PRA and FCA published **cyber response and recovery effective practices**, setting out some of the ways firms have gone about building resilience to severe cyber scenarios. This is intended to help guide relevant firms to consider the best methods they can adopt, in line with their own business model and operational arrangements, to remain within impact tolerances through severe but plausible cyber scenarios. The PRA also oversaw the response and recovery of firms from operational incidents, including those with a wider impact, such as the **Amazon Web Services outage**, to better understand the lessons learnt.

Industry collaboration on operational resilience

The PRA worked with industry to develop resilience capabilities through the **Cross Market Operational Resilience Group**, and its technical subgroups. Key outputs included the publication of an enhanced framework to support firms in safely reconnecting to the financial system following a cyber disruption. This was tested along with the sector's crisis response groups in two industry-wide technical exercises in 2025. Other outputs included approaches for managing emerging risks posed by AI and Post-Quantum Computing, a framework for restarting the financial sector on a co-ordinated basis following a major operational disruption, and a consistent approach to support firms in gaining assurance from FMIs on their resilience posture.

The PRA continued to develop the financial sector reconnection framework and Authorities Response Framework to manage significant operational and cyber incidents throughout the year.

International

The PRA continued to engage internationally through the **G7 Cyber Expert Group** which published best practice frameworks, a statement on AI and cyber security, and key considerations on the cryptographic risks posed by quantum computing.

The PRA engaged with the BCBS on work reviewing operational resilience principles and the Committee published updated **Principles for the sound management of third-party risk**. The PRA also engaged with counterparts in other jurisdictions and in international fora such as the FSB, which published a common **Format for Incident Reporting Exchange,** to promote international alignment in cyber incident reporting requirements.

Cyber resilience

The Bank completed the FPC's 2024 Cyber Stress Test and published its **thematic findings** in July 2025. The letter included resources to support systemic firms to identify and mitigate financial stability impacts from severe but plausible cyber disruption. The PRA facilitated an international exchange of lessons on cyber stress testing and on cyber resilience with international regulators. Alongside the other UK financial authorities (HMT and the FCA), the PRA will continue to co-ordinate with the National Cyber Security Centre (NCSC) to ensure the financial sector benefits from NCSC insights and guidance.

The PRA continued to monitor and assess firms' ability to manage cyber threats using its threat-led penetration testing tools (**CBEST** and **STAR-FS)** and collaborated with other financial regulators on several cross-jurisdictional assessments. The PRA and the FCA also analysed the outcomes of completed CBEST assessments and published the annual **CBEST thematic findings**. The PRA recognises the effectiveness of threat-led penetration testing and will continue to develop testing and ensure alignment with other testing frameworks, in line with G7 principles.

Implementation of the critical third party (CTP) regime

During 2025/26, the PRA continued preparations for the implementation of the CTP regime, which is designed to address risks to financial stability arising from disruption to services that are critical to the financial system. The regime addresses systemic risks that cannot be managed through regulated firms and financial market infrastructures alone. It does not reduce the responsibility of financial firms and financial market infrastructure (FMI) firms to manage their own operational resilience and third-party risks in line with existing outsourcing rules. The PRA worked closely with the Bank and the FCA to ensure that supervisory arrangements, governance structures and co-ordination mechanisms were in place ahead of any future designations by HMT.[14] This included establishing processes to support joint oversight and to engage effectively with designated providers once the regime becomes operational.

The PRA, alongside the Bank and FCA, is also committed to strengthening domestic and international co-ordination due to the likely cross-sector and cross-jurisdictional nature of CTPs' operations. To deliver on this the FCA, Bank and PRA (UK regulators) have together signed a **Memorandum of Understanding (MoU)** with the European Supervisory Authorities to enhance co-operation and oversight of CTPs that fall under the UK's CTP regime.

This preparatory work strengthened the PRA's readiness to oversee systemic third-party risks and complements existing requirements for firms to manage outsourcing and operational resilience risks.

Enabling safe adoption of artificial intelligence

During 2025/26, the PRA continued its supervision and support of firms' safe adoption of AI. This included holding roundtable sessions with PRA-regulated firms to discuss:(i) the **adoption of AI and machine learning in the context of implementing the principles set out in SS1/23**; and (ii) **constraints firms may be facing in adopting AI**, and how the Bank and PRA can provide further support.

In addition, through its co-chairing of the **Cross Market Operational Resilience Group**, the PRA continued to support its AI Taskforce. In May 2025, the AI Taskforce published an **AI Baseline Guidance Review**, which brought together existing guidance and good practice on how financial firms should mitigate operational and other risks from their adoption of AI. The Taskforce has since published a **Shared Responsibility Model**, which provides an agreed baseline structure for managing security risks between AI service providers and financial services firms. It has also **published two severe-but-plausible cyber risk scenarios**, based on the use by attackers of new AI technologies, to support firm testing and preparedness.

The PRA is also actively contributing to the FSB's work with international standard-setters on **sound practices for AI adoption, use, and innovation by financial institutions**.

Implementing changes to the Senior Managers & Certification Regime (SM&CR)

The SM&CR aims to ensure individual accountability within all PRA-regulated firms to support good governance and risk management.

In July 2025, the PRA published consultation paper CP18/25 – **Review of the SM&CR**, alongside FCA's **CP25/21**, which each set out proposed changes to the SM&CR rules and expectations within the context of the current legislative framework. In April 2026, the PRA published **PS12/26** and the FCA published **PS26/6** setting out the final changes. At the same time, HMT published a **consultation** on potential legislative changes to the regime, to enable the PRA and FCA to further reduce regulatory burdens without undermining its overall effect to maintain high standards in the financial sector.

CP18/25 proposed amendments to enhance operational effectiveness and provide greater flexibility and clarity, with the intention of reducing unnecessary compliance costs and supporting firms' ability to attract talent into UK firms, while ensuring effective supervision.[15]

Financial risks from climate change

During 2025/26, the PRA consulted on and published updated supervisory expectations to continue to support firms' progress to effectively manage the financial risks relating to climate change. SS5/25 – **Enhancing banks' and insurers' approaches to managing the financial risks from climate change** consolidates PRA guidance, aligns with international standards, and provides further detail to help firms advance their approaches, while ensuring proportionality and reflecting the evolving climate risk landscape.

In parallel, the CFRF, a public-private group made of financial firms and co-chaired by the PRA and FCA, has continued to play a central role to support industry to accelerate capabilities and respond to climate-related risks. In 2025, the CFRF delivered guidance and tools across climate adaptation, physical risk assessment, and scenario analysis. The PRA will continue to collaborate with CFRF, including to support implementation of SS5/25. The CFRF has undertaken a thorough gap analysis of existing practices against the updated expectations and is developing practical risk management frameworks to support embedding within firms.

The PRA continued to promote high-quality and consistent accounting for climate risks, particularly for banks through thematic feedback to **Chief Financial Officers** on observed practices and areas of focus for 2026. The PRA also collaborated with international standard setters, other central banks and supervisors and the scientific community to progress the understanding of climate risks.

4: Operational effectiveness at the PRA

Effective authorisation processes

Maintaining a high level of regulatory operational efficiency and effectiveness in authorisations plays an important part in the UK's success as a global financial hub. The PRA remains committed to transparency and accountability in its handling of regulatory transactions through the publication of regular metrics on the time taken to determine cases and the numbers of withdrawals and refusals, while maintaining high standards and effective scrutiny in its authorisation processes. The PRA supports the Government's intention to shorten certain deadlines and from March 2026 has started publishing performance against the proposed new deadlines, ahead of the implementing legislation.

The PRA has maintained timely determination of applications under the SM&CR, with 100% of cases completed within the existing three-month service standard over the period March 2025 to March 2026. Looking ahead to the proposed new deadlines, over the full reporting year 84% of SM&CR cases met the proposed two-month standard. This rose to 98% in the final quarter, demonstrating the impact of measures taken to improve case handling through the year. The median time to determine a case improved to 36 days in the 2025/26 reporting period from 61 days in the **2024/25 reporting period**. In the final quarter, this has improved further to 28 days.

In 2025/26, the PRA authorised seven new insurers and one new bank, compared to five new insurers and five new banks in 2024/25. This brings the total number of new UK insurers authorised since the creation of the PRA to 67, and the total number of new banks and credit unions to 81, of which 40 are brand new or 'de novo' UK banks.

Finally, the PRA, FCA and the Society of Lloyd's agreed changes to **streamline the process of regulatory approval for Lloyd's managing agents**, intended to reduce the timeframe for authorisation decisions.

A dedicated concierge service

The PRA supported the establishment of the **OfI:FS**, which launched in October 2025 with the aim of providing a single front door for international financial services firms wishing to set up or expand their operations in the UK.[16]

Authorisation approvals

During 2025/26, the PRA approved 1,250 applications for Senior Management Functions. The PRA also dealt with 233 variations and cancellations of Part 4A permissions,[17] and 939 applications relating to waivers and modifications of PRA rules, and to permissions regarding models, capital exposures and other issues. The PRA also approved 69 ‘change of control’ applications over the year. This included several high-profile mergers or acquisitions of large firms which involved significant and unanticipated engagement, requiring agile resourcing.

Enhancing the PRA’s productivity, data and technology

In 2025/26, the PRA continued to improve how it operates as a regulator, with a focus on making supervision and regulatory decision-making faster, more consistent and more predictable for firms. This work supported the PRA’s ability to deliver its statutory objectives effectively while operating within tighter resource constraints.

During the year, the PRA simplified a number of core supervisory and corporate processes, reducing duplication in decision-making and expanding the use of automation. These changes improved the timeliness and consistency of activities such as supervisory decisions, authorisations, committee support and internal forecasting, helping to release supervisory capacity for higher impact work. The PRA also made progress towards embedding more modern, data-driven approaches into supervision. A key milestone was the delivery of a proof of concept for a future supervisory platform, setting out how data, analytics and digital tools could be used more effectively to support judgement-based supervision over the medium-term.

Taken together, these improvements helped the PRA operate more efficiently and strengthened its ability to respond to emerging risks while maintaining high supervisory standards.

People and inclusion at the PRA

During 2025/26 work continued across the PRA in support of Bank-wide advancement of the actions from the **Court Review of Ethnic Diversity**, including inclusive recruitment practices. The PRA also supported local implementation of the Bank’s Disability Inclusion Programme and the Gender Action Plan.

For more details on PRA representation targets and progress made so far, please refer to the People and the Inclusion section of the Bank’s Annual Report and Accounts.

PRA Research activities

During 2025/26, research strengthened the PRA's evidence base by convening targeted external research engagement, developing capability in modelling and analytics, and improving how research insight is fed into senior decision-making. This work complements several publications and academic outlets, with fourteen papers published by PRA researchers this business year. In addition:

- the PRA hosted and supported a programme of events designed to improve knowledge exchange with peer institutions and academia;
- launched and socialised a strategy to strengthen its modelling and analytical capabilities, including approaches to governing, building, maintaining and validating models and toolkits;
- hosted a research incubator event in collaboration with the London School of Economics Growth Lab to generate ideas and proposals for collaborative academic research aligned with the PRA's SCGO;
- advanced work on **Modelling for Policy**, including engagement with policymakers on how models can best support decisions under uncertainty in the prudential context; and
- refreshed and **re-communicated priority research** questions across four themes to ensure continued relevance and alignment with PRA (and Bank-wide) research priorities.

Enforcement: tackling threats to safety and soundness, and strengthening accountability in PRA-authorised firms

In 2025/26, the PRA oversaw several enforcement investigations into firms and individuals, taking enforcement action against one individual and one firm.

- In April 2025, the PRA fined **Mr George Jay Hambro**, a former notified non-executive director (**Notified NED**) of Wyelands Bank plc (Wyelands), £72,000 for failing to act with due skill, care and diligence in breach of Individual Conduct Rule 2. This action followed earlier fines imposed on **Wyelands** (in April 2023) and its former Chief Executive Officer (**CEO**), **Mr Iain Hunter** (in January 2024). Box B.
- In July 2025, the PRA fined Barents Reinsurance S.A., London Branch, (**Barents**) £1,785,000 for breaching Fundamental Rule 6 (**a firm must organise and control its affairs responsibly and effectively**), as well as governance and regulatory reporting failures. The firm failed to take steps to ensure it was operationally ready for the Temporary Permissions Regime following the UK's withdrawal from the EU. This was the first time the PRA fined a firm operating purely as a reinsurer. Box C.

During 2025/26, the PRA also opened two new cases. 'Cases' refer to a common fact pattern and can often encompass more than one 'investigation', to the extent that more than one entity or individual can be under investigation in relation to the relevant matter.

As of 28 February 2026, the enforcement team, which works closely with other relevant authorities, was overseeing five cases. This included investigations into five firms (four PRA authorised firms and one parent financial holding company) and five individuals.

The issues and themes encountered across the cases span the full spectrum of the PRA’s strategic priorities, including operational risk and resilience, governance and risk management, regulatory reporting, as well as openness and co-operation with the PRA and acting with integrity.

Box B: Mr George Jay Hambro

The PRA fined Mr George Jay Hambro, a former Notified NED of Wyelands, £72,000 for breaching PRA Individual Conduct Rule 2 in relation to three matters. This rule states that 'You must act with due skill, care and diligence'.

Mr Hambro's conduct between 3 July 2017, and 19 February 2020 fell below the standards expected of a person in his position in an authorised firm and demonstrated a serious lack of due skill, care and diligence in relation to: the recognition of capital, large exposures assessments, and Wyelands' internal policy to manage potential risks of conflicts of interest between Wyelands and the wider GFG Alliance.

Mr Hambro accepted his failings as set out in the PRA's Final Notice and expressed his regret for those failings.

The action against Mr Hambro followed the PRA's earlier decisions to publicly censure Wyelands for significant regulatory failings (in April 2023) and to fine Mr Iain Mark Hunter, the former Wyelands CEO, £118,808 for breaching three PRA Conduct Rules (in January 2024). Wyelands entered wind down in March 2020, subsequently repaid its depositors at the direction of the PRA and surrendered its PRA authorisation in April 2024.

The £72,000 penalty included a material adjustment for deterrence. Mr Hambro agreed to settle the matter after the end of the discount period, so did not qualify for a reduction of 30% in the fine.

Full details are available in the PRA's **Final Notice to Mr Hambro**.

Box C: Barents Reinsurance S.A., London Branch

The PRA fined Barents £1,785,000 for failing to organise and control its affairs responsibly and effectively, as well as governance and regulatory reporting failures. This was the first time the PRA fined a firm operating purely as a reinsurer.

Barents Reinsurance S.A. is a Luxembourg-based reinsurer. From 28 February 2017, it operated in the UK via a branch under the EU's passporting arrangements.

Following the UK's withdrawal from the EU, the Temporary Permissions Regime (TPR) permitted EU firms to continue their activities for a limited period of time. When the TPR commenced, all relevant parts of the PRA Rulebook applied to Barents, including the PRA's Fundamental Rules and Third Country Branch Rules (the latter subject to certain transitional relief). The PRA wrote to firms before the TPR commenced to ensure that they were operationally ready and understood the PRA's expectations of firms operating within the TPR.

The PRA's investigation found that from July 2021 to October 2023, Barents failed to:

- organise and control its affairs responsibly and effectively because it did not adequately prepare for the regulatory impact of the UK's exit from the EU, or ensure that certain Internal Audit recommendations were implemented in a timely manner;
- have a system of governance proportionate to its operations;
- have a business continuity plan that adequately took into account the UK business; and
- have appropriate systems and structures in place to fulfil its reporting requirements, leading to the late submission of certain required regulatory reports.

As a result of the failings, the PRA found that from July 2021 to October 2023, Barents breached the following rules in the PRA Rulebook:

- **Fundamental Rule 6** ('a firm must organise and control its affairs responsibly and effectively');
- **Rules 2.3** and **2.6** of the **Conditions Governing Business** Part of the PRA Rulebook; and
- **Rules 2.1** and **2.5** of the **Reporting** Part of the PRA Rulebook.

Barents' co-operation throughout the investigation, including the early admission of failures, resulted in a 15% reduction in the penalty to acknowledge mitigating factors. Barents agreed to resolve the matter and therefore qualified for a further 30%

reduction in the fine, without which the fine imposed by the PRA would have been £2,550,000.

Full details are available in the PRA's **Final Notice to Barents**.

Structural reform – ring-fencing

Ring-fencing has been in effect since 1 January 2019 and applies to UK banking groups with core deposits above the statutory threshold. These banking groups are required to ensure the provision of core services (broadly, facilities for accepting core retail deposits, and payments and overdrafts relating to core retail deposit accounts) is separate from certain other activities within their groups, such as investment banking.

At the beginning of 2025 the following UK banking groups were in scope of ring-fencing, and contained at least one ring-fenced body (RFB): Barclays, HSBC, Lloyds, NatWest, Santander UK, TSB, and Virgin Money. Following legislative changes that came into force in early February 2025, TSB and Virgin Money exited the ring-fencing regime. Key information and materials relating to ring-fencing, including the list of RFBs, is available on the **Bank's ring-fencing website**.

The PRA's activity relating to ring-fencing advances its general objective of promoting the safety and soundness of the firms it regulates through seeking to: (i) ensure that the business of PRA-authorised firms is carried on in a way that avoids any adverse effects on the stability of the UK financial system; and (ii) minimise the adverse effect that the failure of a PRA-authorised firm could be expected to have on the stability of the UK financial system. The PRA is required to discharge its functions in a way that seeks (among other things) to:

- ensure that the business of RFBs is carried on in a way that avoids any harmful effect on the continuity of the provision of core services in the UK;
- ensure that the business of RFBs is protected from risks (arising in the UK or elsewhere) that could negatively impact the continuity of the provision of core services in the UK; and
- minimise the risk that the failure of an RFB, or of a member of an RFB's group, could affect the continuity of the provision of core services in the UK.

FSMA requires the PRA to report in its Annual Report, in general terms, on certain aspects of ring-fencing, including: the extent to which, in the PRA's view, RFBs have complied with ring-fencing provisions; the steps taken by RFBs to comply with ring-fencing provisions; the steps the PRA has taken to enforce ring-fencing provisions; the extent to which RFBs are carrying on activities that would be excluded or prohibited but for an exception or exemption in the legislation; and the extent to which RFBs appear to have acted in accordance with the PRA's guidance relating to ring-fencing provisions. The following text addresses those statutory duties.

Throughout the 2025/2026 reporting period, the PRA has continued to focus on ensuring the ring-fencing arrangements established by firms are effective, and that they continue to comply with ring-fencing provisions. In general, firms' arrangements are now well embedded. However, the PRA has been notified of a limited number of instances of non-compliance. These were generally of low materiality, and, in all such cases, the firms have taken appropriate steps to resolve breaches. The PRA has not taken any enforcement action in respect of the ring-fencing provisions in the 2025/2026 reporting period (more information on the use of the PRA's statutory powers is available on the Bank's **approach to enforcement** webpage).

The legislation specifies the activities that must be conducted by RFBs, as well as the activities RFBs are prohibited from undertaking. Any activities falling outside those two categories – for example taking deposits from large corporates, or mortgage and credit card lending – can be carried out from either side of the ring-fence ('permitted business'). Banking groups within the scope of the regime have structured their groups in different ways, reflecting their operations and preferred business strategies. Some groups have placed almost all permitted business within the ring-fence, while others chose to locate significant proportions of their permitted business outside the ring-fence. The structure of most firms' RFB subgroups remained largely the same over the reporting period. Firms have complied with the PRA's group structure policy set out in SS8/16 – **Ring-fenced bodies**.

Use of exceptions

The activities of RFBs are restricted by the statutory regime and PRA rules made pursuant to it. For example, primary and secondary legislation prohibits RFBs from carrying on 'excluded activities' and contains certain 'prohibitions', including:

- dealing in investments or commodities as principal;
- incurring exposures to relevant financial institutions (RFIs); and
- accessing payment systems indirectly.

These are subject to a number of exceptions to allow RFBs to undertake day to day activities typical of a retail bank, such as 'dealing in investments as principal' for risk management purposes, managing collateral, selling simple derivatives to account holders (subject to conditions), transacting with central banks, and managing pension liabilities.

Overall, information reviewed during the period suggests that firms' use of exceptions is consistent with the objectives of the ring-fencing regime and has not led to positions being taken in excess of the limits imposed by the legislation.

For example, the legislation includes exceptions to permit RFBs to deal in investments and commodities as principal or to incur exposures to RFIs where the sole or main purpose of the associated transaction is to hedge certain risks. During the reporting period, all RFBs reported using some of these exceptions. As in previous years, much of the activity reported concerned the use of exceptions related to hedging changes in interest rates, with the remainder of the hedging exceptions mainly used to hedge changes in exchange rates. The relatively higher use of the exception for interest rate hedging is unsurprising as this type of hedging is a prominent risk management activity for retail banks. Exposures to RFIs related to hedging were relatively small compared to firms' capital bases.

Submissions to the PRA indicated that the exceptions not related to hedging, such as for customer derivatives, own securitisations and covered bonds, trade finance, conduit lending, infrastructure finance, and ancillary exposures, were used by most RFBs to varying degrees. The use of these exceptions remained within any applicable limits and consistent with the RFBs' business models.

The exceptions and exemptions related to other prohibitions were mainly used to a small extent. RFBs were also generally direct participants in the main UK payment systems that they used, and where those payment systems were accessed indirectly, this was mostly through another RFB in the same group. A number of RFBs are also permitted to indirectly access inter-bank payment systems as they have satisfied the conditions required for such indirect access by the PRA.

Recent reforms to the ring-fencing regime

Ring-fencing reforms

On 4 February 2025, during the previous Annual Report period, ring-fencing reforms came into force after the statutory instrument amending the relevant secondary legislation became effective. The main structural changes as a result of these reforms were: (i) an increase in the core deposit threshold (from £25 billion to £35 billion) that gives additional headroom for firms to grow their retail deposit bases before they are within the scope of the regime; and (ii) the introduction of a condition that allows large retail banks with minimal investment banking activity to remain outside the regime. The reforms also introduced further exceptions to the regime, including allowing RFBs to:

- have exposures to certain types of financial institutions which are small and medium-sized enterprises (SMEs);
- hedge against a wider range of risks;
- invest in small businesses based in the UK; and
- incur small exposures to relevant financial institutions.

Since the reforms were introduced, firms' use of the new exceptions has been varied and, overall, relatively limited as firms are testing products or considering further investment in systems, controls, or changes to their operating model.

The exception implemented by the 2025 reforms which has had the greatest impact concerns RFBs' ability to incur low value exposures to relevant financial institutions. Previously, if an RFB incurred an exposure to an RFI, irrespective of value, the PRA would need to be notified as this constituted a breach of the rules. Following the introduction of the reforms, only exposures in excess of £100,000 are considered a breach and therefore need to be reported.

The reforms have also created greater flexibility in areas previously constrained by the ring-fencing regime. In particular, the 2025 reforms amended the definition of RFI to remove global systemically important insurers from scope. Consequently, some firms have begun to take advantage of this change by incurring exposures to such entities. Similarly, some firms are exploring the establishment of branches and subsidiaries outside the UK and European Economic Area (EEA) following the removal of geographic restrictions.

A number of firms have also taken advantage of some of the recent technical changes to the regime to run loan syndication processes that may be considered debt advisory; made use of the expanded debt-for-equity swap provisions; and provided structured and standby letters of credit.

Review of the ring-fencing regime

During the reporting period, the PRA has worked alongside other areas of the Bank of England and HMT on a review of the ring-fencing regime. This review stems from the Government's **Financial Services Growth and Competitiveness Strategy**, announced by the Chancellor at Mansion House in July 2025, where the Government committed to uphold the ring-fencing regime to protect financial stability and safeguard depositors, while taking forward meaningful reforms.

The review examined both the legislation and PRA rules, including how they interact, and assessed options for:

- allowing ring-fenced banks to provide more products and services to UK businesses;
- addressing inefficiencies in how ring-fencing is applied to banking groups; and
- examining the case for allowing banks to share resources and services more flexibly across the ring-fence.

In May 2026, following the review, the government announced that it is taking forward a package of reforms to the regime through amendments to primary and secondary legislation. As part of that package, the PRA has announced its intention to consult on reforming rules around shared operational services for ring-fenced banks.

Risks to the delivery of the PRA Business Plan, unforeseen events, and execution risk

During 2025/26, the PRA continued to operate in a challenging external environment, characterised by geopolitical uncertainty, evolving international regulatory developments and ongoing pressure on resources given the need to respond to new responsibilities. In response, the PRA actively reprioritised activity during the year, focusing resources on the areas of greatest risk to safety and soundness and on key policy milestones, while sequencing or deferring lower priority work where appropriate. This approach enabled the PRA to continue delivering major reforms, including **Basel 3.1 rules finalisation** and **Solvency UK implementation**, despite lower overall headcount than in the previous year.

The PRA also strengthened its internal risk and delivery monitoring, enabling its decision-making committees to oversee emerging risks to delivery and take timely decisions to support their mitigation This helped ensure that the PRA remained responsive to external developments while maintaining progress against its statutory objectives and business plan.

Measuring progress

The PRA monitors delivery against its statutory objectives and business plan through a combination of quantitative indicators, qualitative assessments and regular senior-level oversight. This approach supports transparency, accountability and timely decision-making.

During 2025/26, the PRC and the Supervision Risk and Policy Committee, and the Operations, People, and Innovation Committee received regular updates on progress against strategic priorities, delivery of key policy developments, operational performance and emerging risks and mitigants. These updates informed decisions on prioritisation, resource allocation and risk management throughout the year.

This governance framework enabled the PRA to assess not only whether activities were delivered, but whether they were achieving the intended supervisory and policy outcomes, supporting effective accountability to Parliament and stakeholders.

Effective and regular co-ordination with the FCA

The PRA continued to co-ordinate effectively with the FCA, across a wide range of policy and supervisory matters, including on the joint publication of PS21/25 – **Remuneration Reform** and wider engagement on the joint approach on operational incident and outsourcing and third-party reporting rules for FMIs. The PRA and FCA, alongside the Bank, continue to co-ordinate on the implementation of the CTP oversight regime.

As part of FBD work, the PRA has engaged with industry in co-ordination with the FCA through a number of different fora. The two organisations also maintain continual dialogue with each other about their respective data collection projects so that they can learn from each other's approaches and find opportunities to collaborate.

Co-ordination between the PRA and FCA enforcement areas also continues to work well, with regular meetings to ensure that a co-ordinated approach is taken to the opening and progress of investigations and proposed enforcement actions. PRA and FCA authorisations teams have continued to work together effectively to improve the timeliness of decision-making.

Co-ordination with respect to the oversight of the Financial Services Compensation Scheme was effective. It included close engagement on rule-making impacting the Scheme, including on the PRA's consultation on depositor protection, which covered the increase to the deposit protection limit and rules to support implementation of the Bank Resolution (Recapitalisation) Act. Alongside this, there has been close engagement on several FCA-led initiatives, including its consultation on modernising the redress system, updates to the safeguarding regime for e-money and payment firms, and the development of the FCA's regulatory framework for stablecoin firms.

Firm feedback

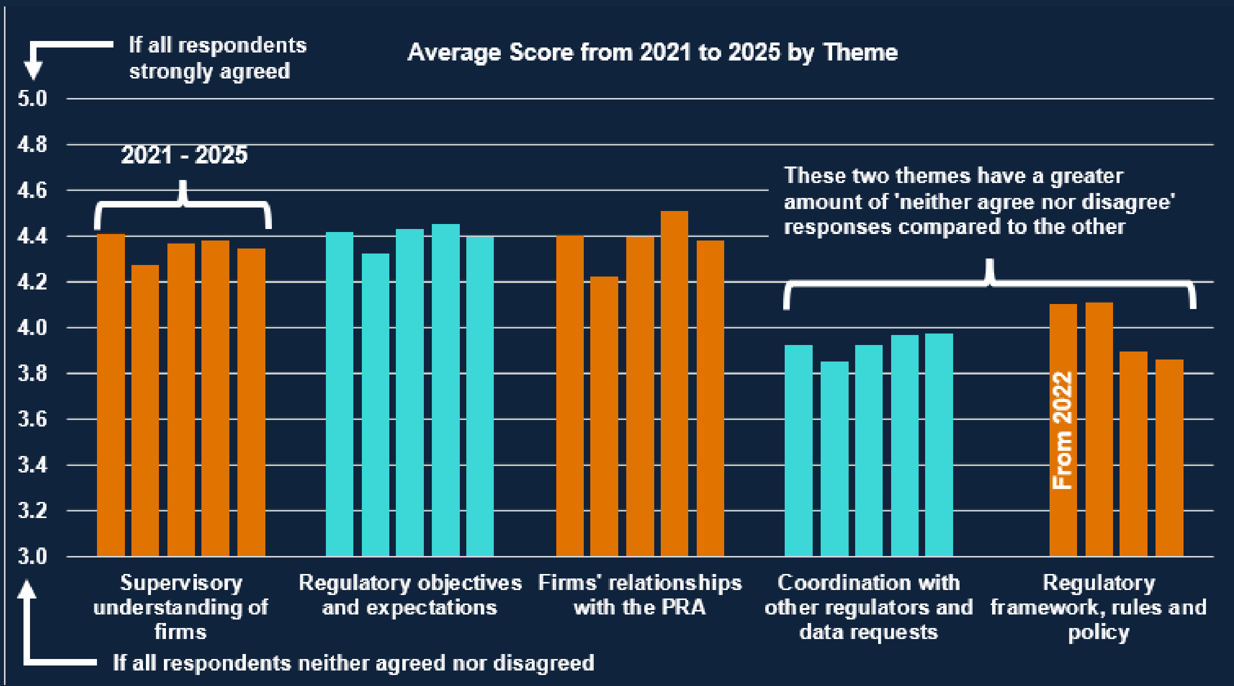
The PRA uses **firm feedback** as an important input into assessing the effectiveness and quality of its supervisory approach.

The 2025 survey questionnaire was sent to 836 PRA-regulated firms or Groups of firms, nearly double the number in 2024. 438 firms responded (up from 302 in 2024). The results showed broadly stable scores compared to previous years, with firms continuing to value clarity of supervisory expectations and engagement.

Feedback from the exercise informed ongoing work to improve the predictability of supervisory processes, clarity of communications and the usability of the PRA Rulebook. The PRA continues to use firm feedback alongside other evidence to guide improvements to how it supervises and engages with firms.

Chart 1 summarises scores in response to the core questions by theme and compares them to those for earlier years.

Chart 1: Comparison of average firm feedback survey scores from 2021 to 2025 by theme (all firms)



Parliamentary accountability

The PRA's objectives are set by Parliament. Accountability to Parliament is taken very seriously and representatives of the PRA aim to account for its decisions as transparently and clearly as possible. Between 1 March 2025 and 28 February 2026, PRA representatives appeared at the following parliamentary committee hearings:

Date	Committee	Inquiry/appointment	Person(s) involved
11 March 2025	Treasury Committee	Inquiry into appointment to Prudential Regulation Committee	Andrea Enria
11 March 2025	Treasury Committee	Inquiry into appointment to Prudential Regulation Committee	David Soanes
18 March 2025	Treasury Committee	Appointment to Prudential Regulation Committee	Niamh Moloney
29 April 2025	Treasury Committee	Inquiry into work of the PRA	Sam Woods, David Bailey, Tanya Castell
15 July 2025	Business and Trade Committee	Inquiry into role of the regulators	David Bailey
21 January 2026	Treasury Committee	Inquiry into work of the PRA	Sam Woods, David Bailey, Antony Jenkins, Marjorie Ngwenya

In line with a new provision introduced by FSMA 2023, during the year, the PRA sent 26 CPs to the Treasury Select Committee and Financial Services Regulation Committee (FSRC), as well as 2 DPs and 2 low impact amendments, copying the other committees such as the House of Lords' Industry and Regulators Committee, and the Lords' Economic Affairs Committee, with a summary:

- highlighting how the proposals advance the PRA's objectives; demonstrating that the PRA has had regard to the regulatory principles in section 3B FSMA when preparing the proposals; and
- engaging with any matters to which the PRA must have regard under section 138EA FSMA.

PRA executives have also engaged with parliamentarians outside of parliamentary committees, holding briefings and correspondence with parliamentarians on PRA policy. The PRA is committed to carrying out its policymaking role in a transparent way, and to help to facilitate scrutiny by Parliament in any other way.

Communications supporting the PRA's objectives

Clear and timely communication is essential to the effective delivery of the PRA's statutory objectives. Through its communications, the PRA explains regulatory expectations, supports firms' understanding of policy changes, and promotes transparency and accountability.

During 2025/26, the PRA published a wide range of policy and supervisory materials, including consultation papers, policy statements, supervisory statements and letters to firms. These communications supported the implementation of major reforms set out elsewhere in this Report and helped firms prepare for upcoming changes to the prudential framework. These included:

Categories	Number
Consultation papers	26
Policy statements	29
New supervisory statements	5
Amended supervisory statements	62
New statements of policy	7
Amended statements of policy	15
PRA statements on a range of topics	17
Letters to firms	9
PRA reports	7
Speeches by PRA senior leaders	10

Policy publications are available on the **policy page**.

Complying with FSMA

This section covers a number of issues that the PRA considers when carrying out its duties and other areas on which it reports.

These include:

- complying with FSMA;[18]
- complying with the regulators' code and principles;
- the PRA's complaints scheme;
- details of how the PRA has used the provisions of section 166 of FSMA; and
- sections 339A and 339B of FSMA relating to firms' auditors.

In discharging its general functions during the reporting period, the PRA was required, in as far as was reasonably possible, to: (i) act in a way that advances its general objective to promote the safety and soundness of PRA-authorised persons; and (ii) specifically for insurers, act in a way that is compatible with its general objective and with its insurance objective to contribute to the securing of an appropriate degree of protection for those who are, or may become, policyholders (sections 2B and 2C of FSMA). This Report sets out how the PRA has discharged its general functions and the extent to which, in its opinion, the objectives have been advanced. Section 3B of FSMA sets out a number of regulatory principles to which the PRA must have regard (under section 2H(2) of FSMA) in discharging its general functions. These are:

- the need to use the PRA's resources in the most efficient and economical way;
- the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction;
- the desirability of sustainable growth in the UK economy over the medium or long term. Including to contribute towards achieving compliance by the Secretary of State with section 1 of the **Climate Change Act 2008**[19] (UK net zero emissions target) and section 5 of the **Environment Act 2021**,[20] where the PRA considers the exercise of its functions to be relevant to the making of such a contribution;
- the general principle that consumers should take responsibility for their decisions;
- the responsibilities of the senior management of persons subject to requirements imposed by or under FSMA, including those affecting consumers, in relation to compliance with

those requirements;

- the desirability, where appropriate, of the PRA exercising its functions in a way that recognises differences in the nature of, and objectives of, businesses carried on by different persons (including different kinds of persons such as mutual societies and other kinds of business organisation) subject to requirements imposed by or under FSMA;
- the desirability in appropriate cases of publishing information relating to persons on whom requirements are imposed by or under FSMA, or requiring such persons to publish information, as a means of contributing to the advancement by the PRA of its objectives; and
- the principle that the PRA should exercise its functions as transparently as possible.

The PRA has taken these principles into consideration when discharging its general functions, including when making policy.

Furthermore, when discharging its general functions in a way that advances its objectives during the reporting period, the PRA was required, so far as was reasonably possible, to act in a way that: (i) facilitated effective competition in the markets for services provided by PRA-authorised persons in carrying on regulated activities; and (ii) facilitated the international competitiveness of the UK economy (including in particular the financial services sector through the contribution of PRA-authorised persons) and its growth in the medium to long term, subject to aligning with relevant international standards (section 2H(1) of FSMA).

Details of how the PRA has met its duty to consult (under section 2L of FSMA), how it considered any representations made (under section 2N of FSMA), and how it engages with firms more generally can be found in the summary of work completed section of this report. These arrangements include the establishment and maintenance of the **PRA Practitioner Panel and the Insurance Practitioner Panel** (the Panels) under section 2M of FSMA. The PRA is required to report on how the PRA has complied with the statement of policy on panel appointments prepared under section 2NA, including the process for making appointments and the matters considered in determining appointments.

In line with the statement of policy (SoP) **on Panel Appointments**, the PRA secures nominations from relevant trade associations, considers the criteria used in making those nominations (including equality and diversity considerations), and appointments are subject to approval through the PRA's internal governance, including the PRC. Details of the **Panels' membership** are published separately.

The PRA Practitioner Panel appointed Muir Mathieson as Chair during this reporting period after Helen Pickford's term came to an end. This appointment was approved by PRC and HMT, as required under FSMA. The Practitioner Panel met six times during the reporting period, providing input at different stages of policy development, from early-stage policy design to practical insights on implementation. The Practitioner Panel provided feedback to the PRA and the Bank on topics such as the PRA's Strong and Simple framework, the FPC's Review of Capital Requirements, the PRA's SCGO, and the PRA's policy approach to Information and Communication Technologies and Cyber Resilience.

The PRA Insurance Practitioner Panel (IPP) continued to be chaired by Charlotte Jones and met three times during the 2025/26 reporting period. The IPP provided feedback to the PRA on topics such as the PRA's review of the UK ISPV regime, the PRA's contribution to the Mutuals Landscape Report, and the approach to the development of a UK captive insurance regime.

The PRA Cost Benefit Analysis Panel (CBA Panel) continued to be chaired by Laurel Powers-Freeling. The PRA appointed independent member Patrick Coen during the reporting period. The PRA ran an open and competitive process informed by the appointment considerations set out in the above-mentioned statement of policy on Panel appointments. The PRA also reappointed PRA firm member Kristy Robinson during the reporting period.

The PRA and the FCA have a joint duty to ensure a co-ordinated exercise of their functions and to prepare and maintain **an MoU** describing how they intend to comply with that duty (under section 3D and section 3E of FSMA, respectively).

Regulators' code and principles

In accordance with sections 21 and 22 of the Legislative and Regulatory Reform Act 2006 and the Legislative and Regulatory Reform (Regulatory Functions) Order 2007, the PRA, when exercising its functions, is required to have regard to the following Regulators' code and principles.

Regulators' principles

- regulatory activities should be carried out in a way that is transparent, accountable, proportionate, and consistent; and
- regulatory activities should be targeted only at cases in which action is needed.

Regulator's code

Regulators following the code should:

- carry out their activities in a way that supports those they regulate to comply and grow;
- provide simple and straightforward ways to engage with those they regulate and hear their views;
- base their regulatory activities on risk;
- share information about compliance and risk;

- ensure clear information, guidance and advice is available to help those they regulate meet their responsibilities to comply; and
- ensure that their approach to their regulatory activities is transparent.

Transparency by regulators includes publishing, on a regular basis, details of their performance against their service standards, including feedback received from those they regulate and data relating to complaints about them. Details of firm feedback are set out in this Report, while details of complaints are set out below, and the latest PRA's statutory Authorisations Performance Report is published on the **Authorisations page.**

Complaints Scheme

As part of the statutory Complaints Scheme (the Scheme) (established pursuant to Part 6 of the Financial Services Act 2012), the PRA is responsible for ensuring that, so far as reasonably practicable, complaints received are investigated quickly. During the reporting period, the PRA received six complaints. Four of the six complaints were excluded from the Scheme as the subject matter was not in scope of the Scheme. These four excluded complaints were referred to the Financial Regulators Complaints Commissioner.

The Commissioner concluded investigations into three of these excluded complaints and agreed with the PRA's assessment that the complaints, details of which are available on the **Commissioner's website**, were not in scope of the Scheme. The Commissioner's investigation into the other excluded complaint was ongoing at the end of the reporting period.

The PRA completed an assessment of one complaint which was not upheld. This complaint was referred to the Complaints Commissioner, who was still considering it at the end of the reporting period.

The PRA was assessing the one remaining complaint at the end of the reporting period.

Section 166 reports by skilled persons

Section 166 (s166) of FSMA gives the PRA powers to obtain an independent expert review of aspects of a regulated firm's activities. Such reviews can be undertaken where the PRA seeks additional information, further analysis, expert advice and recommendations, or assurance around a particular subject.

In 2025/26, the PRA commissioned 14 reviews by skilled persons (2024/25: 28).[21] In 2025/26, all reviews involved firms contracting with the skilled persons. In 2024/25 there were five reviews where the PRA contracted directly with the skilled persons. The reviews fell within the areas shown in Table A.

Table A: Section 166 reviews by areas of focus

Lot (a)	Total for 2025/26	Total for 2024/25
Lot B: Governance and individual accountability	1	5
Lot C: Controls and risk management frameworks	7	14
Lot F: Prudential – Deposit-takers, recognised Clearing Houses, and PRA-designated investment firms	4	4
Lot G: Prudential – Insurance	-	5
Lot I: Technology and information management	2	-
Total	**14**	**28**

(a) A detailed description of the services provided under each lot can be found on the **PRA's approach to supervision**.

The total estimated cost of s166 reviews commissioned in 2025/26 was £7.0 million (2024/25: £22.2 million).[22]

Meeting with auditors

Under section 339A(2) of FSMA, the PRA is required to issue and maintain a code of practice that includes arrangements on the:

- sharing of information (that the PRA is not prevented from disclosing) with auditors of PRA-authorised persons; and
- exchanging opinions with auditors of PRA-authorised persons.

The PRA published LSS7/13 – **The relationship between the auditor and the supervisor: a code of practice (the Code) in April 2013**. The PRA must plan for meetings to take place at least once a year with the external auditor of any PRA-authorised person to which section 339C of FSMA applies. In 2025/6 38 firms fell within the scope in the reporting period (2024/25: 37), and at least one meeting with the auditor of each such firm was held during the reporting period.

The PRA looks to auditors to contribute to effective supervision by engaging with the PRA in a proactive and constructive way. The meetings typically include issues of common interest arising from both parties' respective work.

Report on the use of powers 'of a legislative nature' that have been transferred to the PRA under EU (Withdrawal) Act 2018

Exercise by the PRA of sub-delegated powers under the European Union (Withdrawal) Act 2018 (EUWA) – report for the financial year ending 28 February 2026. Presented to Parliament pursuant to paragraph 32(2)(a) of schedule 7 to the EUWA.

Ongoing transferred powers

There are a number of powers transferred under EUWA that are required to be reported if exercised.

Technical standards

The PRA has exercised its power to make Technical Standards Instruments under section 138P of FSMA 2000. One standards instrument has been made during the reporting period:

- **PRA Standards Instrument: The Technical Standards (Bilateral Margining) Instrument 2025** (made 23 September 2025).

Setting PRA periodic and other fees for 2025/26

During the reporting period, the PRA did not use its powers to require and set fees conferred by:

- Regulation 209 of The Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019; and
- Regulation 63 EEA Passport Rights (Amendment, etc, and Transitional Provisions) (EU Exit) Regulations 2018.

For further information on fees, refer to PS10/25 – **PRA annual fees consultation for 2025/26 – final policy statement**.

Financial review of 2025/26

The PRA incurred operating costs in 2025/26 of £350 million (2024/25: £344 million) against a budget of £350 million (2024/25: £353 million). The PRA underspent on its total direct costs by £4 million, offset by an overspend of £4 million on total allocated centralised costs, resulting in PRA levy costs being in line with Budget of £350 million.

Under section 7(2A) of the Bank of England Act 1998, as amended by the Bank of England and Financial Services Act 2016, the Bank is required to present financial and other disclosures in respect of its activities as the PRA. These are available in the PRA statement of balances for the period ended 28 February 2026 in the Bank's Annual Report and Accounts 2025/26.

Abbreviations

AI	Artificial Intelligence
BCBS	Basel Committee for Banking Supervision
BCST	Bank Capital Stress Test
BPA	Bulk Purchase Annuity
CBA	Cost Benefit Analysis
CBEST	Critical National Infrastructure Banking Supervision and Evaluation Testing
CEO	Chief Executive Officer
CFRF	Climate Financial Risk Forum
CRR	Capital Requirements Regulation
CTP	Critical Third Parties
DP	Discussion paper
EEA	European Economic Area
EU	European Union
FBD	Future Banking Data
FCA	Financial Conduct Authority
FMI	Financial Market Infrastructure (firms)
FPC	Financial Policy Committee
FSB	Financial Stability Board
FSCS	Financial Services Compensation Scheme
FSMA	Financial Services and Markets Act
FTE	Full Time Equivalent
Funded Re	Funded Reinsurance
HMT	His Majesty’s Treasury
IAIS	International Association of Insurance Supervisors

ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IOREP	Incident and Outsourcing and Third-party Reporting
IPP	Insurance Practitioner Panel
IRB	Internal Ratings Based
ISPVs	Insurance special purchase vehicles
KPIs	Key Performance Indicators
LDI	Liability Driven Investment
LIST	Life Insurance Stress Test
MA	Matching Adjustment
MAIA	Matching Adjustment Investment Accelerator
MGS	Mortgage Guarantee Scheme
MoU	Memorandum of Understanding
MPC	Monetary Policy Committee
OfI:FS	Office for Investment: Financial Services
PRA	Prudential Regulation Authority
PRC	Prudential Regulation Committee
PSM	Periodic Summary Meeting
RFB	Ring-Fenced Body
RFI	Relevant Financial Institution
SCGO	Secondary Competitiveness and Growth Objective
SCO	Secondary Competition Objective
SDDTs	Small Domestic Deposit Takers
SM&CR	Senior Managers and Certification Regime
SME	Small and Medium-Sized Enterprises
SoP	Statement of Policy
SS	Supervisory Statement

SWES	System Wide Exploratory Scenario
Tsshe Bank	The Bank of England
TPR	Temporary Permission Regime

1. Since February 2016, the Bank has indemnified members of the PRC against personal civil liability on the same terms as the members of Court. Refer to the Court and the Bank's policy committees' section of the Bank of England Annual Report and Accounts 2025/26.
2. Available in the 'Annual Report of the PRC to the Chancellor of the Exchequer' section of this Report.
3. Parliament is considering legislation that would require both the PRA and the FCA to publish long term strategies on a five-year cycle (or at least once every five years). For the PRA, this would replace the current annual strategy review requirement in section 2E of FSMA. This legislation also seeks to streamline various 'have regards' by elevating them to the strategic level, thereby reducing process burden while maintaining accountability.
4. **Section 30C(1) BoE Act 1998**.
5. In 2026, the PRA revised its strategic priority 1 to improve clarity and readability.
6. **The stress scenario** is not a forecast of macroeconomic and financial conditions. Rather, like previous concurrent stress test scenarios, it is intended to be a coherent 'tail risk' scenario designed to be severe and broad enough to allow the FPC and PRC to assess the resilience of UK banks to a range of adverse shocks. It is not a set of events that is expected, or likely, to materialise. This tail risk scenario is used for the purposes of enhancing financial stability and promoting the safety and soundness of UK banks. It is distinct from scenarios that the MPC may use to illustrate the uncertainties around its forecasts.
7. Credit Union Service Organisations play a central role in delivering these benefits, supported by regulatory frameworks designed to mitigate associated risks.
8. The CBA Panel is a statutory panel established to provide advice to the PRA and the Bank on the preparation of CBAs. It was established in July 2024 by the PRA in accordance with section 138JA of the FSMA 2023. Since 1 August 2024 the PRA and the Bank have been required to consult the CBA Panel on relevant CBAs. The PRA supports the Panel on an ongoing basis.
9. During the year, the PRA completed an open and competitive process to appoint a new independent Panel member following the departure of an existing member, and reappointed the two PRA firm members, in line with its published approach to panel appointments.
10. The PRA's final approach to the SCGO was published in February 2025 in PS3/25 – **The Prudential Regulation Authority's approach to policy**.
11. CP14/25 – **Amendments to Resolution Assessment threshold and Recovery Plans review frequency**, CP15/25 – **Resolution planning: Amendments to MREL reporting**; and CP16/25 – **Disclosure: resolvability resources, capital distribution constraints and the basis for firm Pillar 3**

disclosure.

12. By consenting to an SDDT modification.

13. **Letter from Rebecca Jackson and Charlotte Gerken: Thematic review of private equity related financing activities.**

14. The power to designate CTPs lies with HMT, which must be satisfied that ‘a failure in, or disruption to the services a third party provides to firms could threaten the stability of, or confidence in, the UK financial system’. HMT officials are in the process of gathering the necessary evidence to support decision-making in relation to a number of potential designations. The PRA, alongside the Bank and FCA, will support HMT as needed with their designation process.

15. In addition, the PRA collaborated with the FCA to support HMT's proposed changes to the SM&CR regime, now before Parliament. These include reducing the number of Senior Manager application determinations by regulators and removing the Certification Regime from FSMA.

16. The PRA has seconded staff to the unit and put in place effective co-operation mechanisms to ensure firms receive accurate and helpful advice regarding PRA authorisation.

17. Part 4A of FSMA 2000 sets out the requirements of variations of permissions and the threshold conditions which must be met at authorisation of the activity and on an ongoing basis.

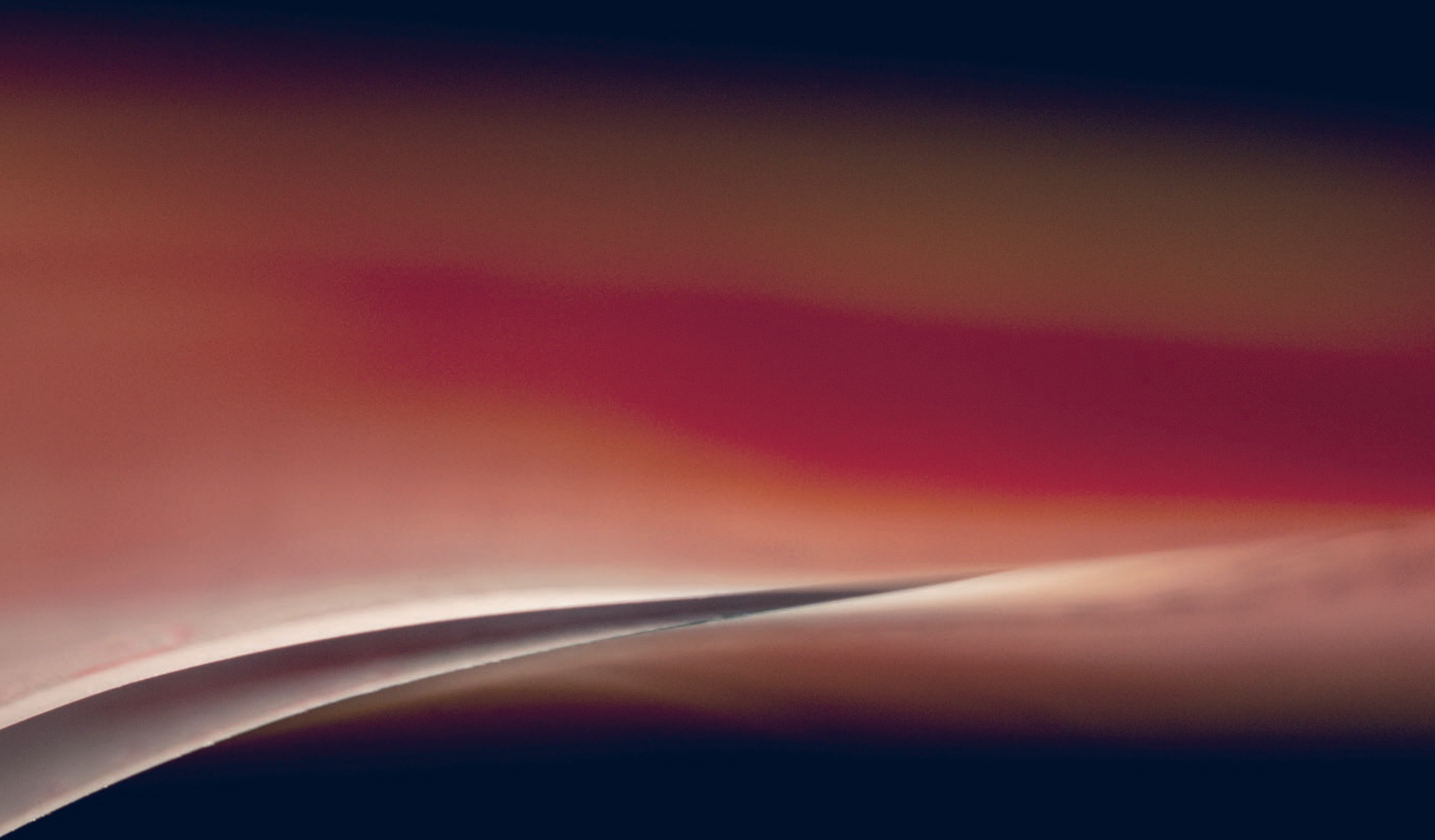
18. Certain requirements added by FSMA 2023 have been considered but no relevant regulations or policy statement have yet been made by HMT – paragraphs 19(1)(ea) and (fb) of schedule 1ZB FSMA.

19. Which came into force 29 August 2023.

20. Which came into force on 1 January 2025.

21. Skilled persons reports are a supervisory tool that the PRA routinely draws on in its supervision of firms across all potential impact categories and proactive intervention framework stages. The use of skilled persons reviews varies year on year, both in terms of the number of reviews and the type and scope. In the current year, reviews of firms’ regulatory reporting cost less on average than in previous years, contributing to lower costs year on year.

22. The costs disclosed include actual costs incurred by the firms, or an estimate where the review is ongoing, and the actual costs are not yet available. For reviews commissioned in 2025/26, six have been completed. The comparative figures have also been revised to reflect the actual costs incurred for reviews commissioned in 2024/25 and completed in 2025/26.



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Bank of England

Our mission is to promote the good of the people of the United Kingdom by maintaining monetary and financial stability

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