Global Financial Services Regulatory Guide - United Kingdom

1. Who regulates banking and financial services in your jurisdiction?

| Contents |
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| To generate table of contents, right-click here and select **Update Field.** |

# Who regulates banking and financial services in your jurisdiction?

In the UK, two regulators are primarily responsible for the authorization and supervision of financial institutions: the Prudential Regulation Authority (PRA) (part of the Bank of England) and the Financial Conduct Authority (FCA). The allocation of responsibilities between the PRA and the FCA is as follows:

The PRA regulates banks (deposit takers), insurers and large investment firms (i.e., investment banks) for prudential purposes, including in relation to regulatory capital requirements.

The FCA regulates all other firms for prudential purposes. These firms include, for example, investment firms, asset managers, hedge funds, brokers, financial advisers, insurance intermediaries, consumer credit firms and payment providers. These firms are called "solo-regulated firms."

The FCA supervises all types of firms for conduct purposes. Firms supervised by the PRA for prudential purposes are also supervised by the FCA for conduct purposes. These firms are called "dual-regulated firms."

The Bank of England is responsible for the macro-supervision of the banking and financial services industries, including financial stability. Under this remit, it is empowered to supervise financial market infrastructures, including recognized interbank payment systems, central counterparties, central securities depositories, and settlement systems.

The Payment Systems Regulator is an economic regulator in respect of various payments systems, including Pay UK, the retail payment systems operator (comprising Bacs, Faster Payments and the Image Clearing System), CHAPS, Mastercard and Visa Europe. The PSR looks to see that payment systems are operated and developed in the interests of users while promoting competition and innovation.

HM Treasury is the UK government department responsible for financial services policy.

If the UK exits the EU with a withdrawal agreement, it is expected that there will be a two year implementation period until December 2020 (which may be extended) during which time the status quo will be preserved. The intention is to negotiate a Free Trade Agreement between the UK and the EU on the basis of a "Political Declaration on the Framework for the Future Relationship." In contrast, in the event of a no-deal Brexit (i.e. there is implementation period), the UK has put in place transitional measures including temporary permissions regimes to mitigate the risk of firms facing a "cliff edge" on 29 March 2019 when their authorization and licenses to carry on UK/EU-27 cross-business would come to an end. For their part, the EU and individual member states have taken more modest contingency steps.

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