



BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

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Dear Paul

Response to Parliamentary Question with regards to the supervision of Wyelands Bank

I am writing in response to your Parliamentary Question of 25 July 2019, 'to ask Her Majesty's Government whether they or the Prudential Regulation Authority monitor loans by smaller banks to related parties; and what assessment, if any, they have made of how Wyelands Bank complies in this respect with regulatory limits'.

The Capital Requirements Regulation (CRR) restricts UK bank lending to counterparties to a specified limit. If specific conditions are met (e.g. that there are no foreseen impediments to the repayment of liabilities) then the PRA may allow greater exposures to certain related parties.

Separately, PRA rules on related party transaction risk require, among other things, that if lending is provided to a related party, it must be at market value or on terms no more favourable than would be agreed if the transaction was not with a related party. The PRA may also, at any time, request that the firm provide details on aggregate exposures to related parties.

The PRA monitors firms' lending strategies, and receives regular firm data via regulatory returns. The PRA will pay particular attention to a bank's largest exposures – although it does not approve individual loans made by a bank. As set out in the PRA approach documents, the PRA expects the boards and management of regulated firms to run the business prudently, consistent with the firm's own safety and soundness and the continuing stability of the financial system. It is therefore the responsibility of a bank's board to ensure it operates in accordance with all applicable legal and regulatory requirements. Those requirements include the Senior Managers and Certification Regime, which promotes the safety and soundness of regulated financial services firms and financial stability by strengthening the link between seniority and accountability.

When the PRA has concerns in relation that a firm's governance is not operating appropriately, or identifies a potential breach of requirements, the PRA will consider the appropriate course of action to mitigate the associated risks. For example, in 2016 the PRA fined QIB (UK) Plc for failing in the manner by which it aggregated and reported its exposures to a group of connected clients.

The PRA is unable to provide you with details of any assessment of Wyeland's compliance with large exposure limits or other regulatory requirements. This is due to restrictions on disclosure of confidential

information by the PRA imposed by section 348 of the Financial Services and Markets Act 2000. Wyelands Bank is supervised in accordance with the PRA's published approach to banking supervision.¹

Hope all is well with you Paul. If you fancy catching up after the summer drop me a mail and we'll put something in.

Sam Woods *S. Woods*
Deputy Governor and CEO, Prudential Regulation Authority

¹ See <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/approach/banking-approach-2018.pdf>