

Prudential Regulation Authority (PRA)

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The **Prudential Regulation Authority (PRA)** is a part of the Bank of England and responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. It sets standards and supervises financial institutions at the level of the individual firm. In total, the PRA regulates approximately 1,500 financial institutions.

The PRA has three statutory objectives. To:

1. Promote the safety and soundness of these firms
2. Contribute to the securing of an appropriate degree of protection for policyholders (for insurers)
3. Facilitate effective competitions between firms

It makes an important contribution to the Bank's core purpose of protecting and enhancing the stability of the UK financial system. There are also statutory requirements - Threshold Conditions - that firms must meet. These include firms maintaining appropriate capital and liquidity, and having suitable management.

The PRA, through regulation, sets standards/policies which it expects firms to meet and monitors compliance against these. It assesses whether financial firms are safe and sound, whether insurers provide appropriate protection for policyholders, and whether firms continue to meet the Threshold Conditions. It also assesses risks firms may pose to financial stability in the future and takes action against those that it consider posing the greatest risk.

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